

beyond its main line, some of which it desires to provide; and although the directors hope that the measure proposed may also enable them to meet the more important of these requirements, it remains to be seen how far the Government measure in reducing so largely the relief of the company requested, may not restrict its power of providing for the extensions of its connections, which the company and the public, and it is believed the government also, desire to see carried out, and may not also interfere with the intention and wish of the company to anticipate the period of the repayment of the government loan.

Should this measure become law the position of the company will occupy on the opening of the through line next spring may be summed up as follows:—

It will have a cash deposit in the hands of the Dominion Government sufficient to pay semi-annual dividends at the rate of three per cent. per annum on its \$65,000,000 capital stock for seven and a half years, or until the end of the year 1893. It will own 8,999 miles; and will hold under lease 695 miles equipped railway, forming a total mileage of 8,994 miles. It will own more than 21,000,000 acres of agricultural lands. It will own three fine steel steamships on the great lakes, and an extensive and well appointed telegraph system, with power to extend its telegraph lines to all parts of the country. All this property, together with certain outside assets, all valued at \$280,960,585, will be represented by a total indebtedness of \$53,892,245, bearing an unusually low rate of interest, and by \$65,000,000 capital stock, for which dividends for seven and one-half years will be in hand.

TRAFFIC AND EARNINGS.

The opening of the through line to the Pacific ocean for regular traffic in the spring of next year, will be the full accomplishment of the national and political objects which the Government of the Dominion had in view in subsidizing and aiding the construction of a transcontinental line through Canadian territory; the company will then have fulfilled all its obligations to the Government under its contract; it will be in the same position as any other purely commercial enterprise, and will depend for its prosperity upon the development of traffic and prudent management. The value of the property as an investment must then be measured and determined solely by the amount of money it can earn.

The following results of the operation of the railway for the last two years have been obtained from it, as a new and incomplete railway, only in partial operation, and having to a large extent to create its own traffic; and that, too, during a period of unexampled commercial depression.

EARNINGS AND EXPENSES.

	1883	1884
Passengers.....	\$1,464,631 87	\$1,980,902 80
Freight	3,755,915 90	3,410,365 89
Mail	69,109 16	85,736 83
Express	57,171 16	95,671 68
Sleeping cars.....	24,071 55	48,492 60
Miscellaneous	52,796 72	134,352 47

\$5,423,695 95 \$5,750,521 27

Expenses 4,862,552 85 4,558,630 75

Net \$561,143 10 \$1,191,890 52

Construction material included in above earnings:—

	1883	1884
	\$1,374,000 gross.	\$623,193 gross.

The amounts included for carriage of construction material do not affect the net result; as it was carried at absolute cost, and such cost is included in the expenses.

STATEMENT OF EARNINGS, EXPENSES, AND NET EARNINGS FOR 1884.

Month.	Earnings.	Expenses.	Net earnings.	
January	\$274,645 03	\$401,915 12	\$127,270 17	Jeffcott.
February	224,638 54	363,968 38	139,326 94	do.
March	379,575 23	345,975 76	75,700 54	
April	313,966 52	318,935 71	25,037 81	
May	424,552 77	349,739 93	74,812 84	
June	550,661 22	399,090 12	151,631 10	
July	549,397 21	391,638 00	157,759 21	
August	565,814 47	383,983 85	181,830 62	
September	679,899 78	407,678 74	272,221 04	
October	735,531 17	439,042 62	296,488 55	
November.....	610,373 86	345,160 87	265,212 99	
December	521,552 03	350,231 95	171,320 08	
Total	5,750,521 27	4,558,630 75	1,191,890 52	

During the first four months of the present

year, 1885, the earnings and expenses have been as follows:—

Month.	Earnings.	Expenses.	Net Earnings
January.....	\$232,764 16	\$339,058 50	\$ 84,775 66
February	401,508 14	354,361 71	167,146 43
March	489,151 89	360,624 66	126,527 23
April	692,141 48	397,776 59	324,364 84
Total	2,006,565 62	1,401,821 46	604,744 16

There is thus shown an improvement in net results over the first four months of last year of \$922,014.

The amount of construction material carried this year being \$129,318 gross, as compared with \$106,120 gross for the same time last year.

According to the above statement, and assuming that the net earnings for the last eight months of the present year will be no more than they were for the last eight months of 1884, the result for the present year will be a net profit of \$2,113,904.

As an increase of earnings for the last eight months of this year may fairly be expected, the directors believe that the net result of the present year's operations will not fall short of \$2,400,000; and without pretending to be able to forecast the future, or wishing to indulge in what might seem to be extravagant estimates of the prospective earning power of the property, they believe themselves justified in estimating that for the year beginning June 1st, 1886, which will be the first year of the full operation of the through line, the gross earnings will not be less than \$12,000,000, and the net profit not less than \$3,600,000; and the directors feel confident that every succeeding year, as the country traversed by the line is brought under cultivation, there will be a large and constant increase in the earnings and net results.

The Ontario and Quebec line, from Perth to Toronto, was not opened for traffic until late in August last, and it was in partial operation only during the remainder of the year; but the results were such as fully to satisfy the expectations of the directors, and to establish beyond question its great value as a large contributor to the profits of the company, and its necessity for the protection of the traffic of the main line.

The directors have no misgivings about the wisdom of their policy in securing the control of new and independent connecting lines in Ontario and Quebec, the necessity for which was impressed upon them by the bitter hostility and unreasoning jealousy with which the company has been pursued, from its very inception, by another Canadian railway company which has so long enjoyed an almost undisputed monopoly of the railway business of the Dominion. The directors are convinced that without the control of tributary lines, reaching all the important centres of trade in the older provinces of the Dominion, the company could have no adequate command of the traffic to and from the Canadian North-West and the Pacific coast, and that the greater part of it would continue to be carried by the American lines, as it has been in the past, and the Canadian Pacific railway would fail to accomplish one of the main objects for which it was brought into existence.

LANDS.

The land sales for the past year have been as follows:—798,584 acres at an average price of \$3.01½ per acre.

	Acres.
The total sales up to Dec. 31st, 1884, were.....	3,730,187
Less cancelled sales.....	129,924
	3,600,263

These cancelled sales were the result of failure on the part of the purchasers to carry out the terms of their contracts—in some cases as to cash payments, in others as to cultivation. Where the lands were held by speculators, who defaulted in payments or in conditions as to cultivation, it was thought best that the lands should revert to the company; but the most liberal treatment has been accorded to all bona fide settlers who appeared to have acted in good faith.

The experience of the company in the matter of land sales has been to some extent similar to that of nearly all the land grant railways in the United States, where the first speculative fever has almost invariably been followed by a heavy falling off in land sales, owing to the presence of vast quantities of free government lands; but as these were taken up by settlers, the sales of railway lands increased, and prices increased as well.

Profiting by the experience of others, this company has extensively advertised the free government lands, and made every effort to stimulate their settlement.

The settlements along the main line now extend a nothing more than 400 miles west of Winnipeg, and for this distance the greater part of the government lands within ten miles of the railway have been taken up, and there are indications of renewed activity in the sales of the lands of the company.

LAND GRANT MORTGAGE.

The following was the position of the 5 per cent. land grant and mortgage bonds at 31st December, 1884:—

Total issue.....	\$25,000,000
Deposited with the Government as security under the contract, without interest.....	\$5,000,000
Held by the Government under the Loan Act, 1884, without interest	8,996,000
Redeemed by land sales and cancelled.....	7,316,000
	21,312,000
Balance outstanding ..	\$3,688,000

Against this balance the company holds interest bearing obligations, on land sales contracts, amounting to \$2,078,286.56, and has on hand \$728,500 unsold bonds.

It will, no doubt, be gratifying to the shareholders to know that there are no telegraph, sleeping car or elevator companies, or anything of that nature connected with their line, nor private interests of any description to absorb any portion of their profits.

The disturbance among the Metis and Indians of the North-West Territories, although occurring in a district several hundred miles north of the railway and in no way affecting the Province of Manitoba nor any of the territory adjacent to the company's lines, may for this season have a deterring effect upon emigration; but its ultimate influence will not be injurious in this respect; while the outbreak itself, and recent events in Europe and Asia, have demonstrated the vast importance of the Canadian Pacific railway to the welfare of this country, and to the Empire at large.

The directors, without having come to any decision in the matter, strongly incline to the opinion that, under all the circumstances of the case, and especially in view of the fact that the 8 per cent guaranteed dividend, secured for the next eight and a half years, yields to the shareholders a fair return for the capital invested, it would not be expedient to pay any further supplementary dividend out of capital during the short period which will be occupied in completing construction. The directors, however, believe that after that period has expired the net earnings of the company will soon be sufficient to warrant the payment of increased dividends.

The directors are happy to state that in the operation of the railway no material difficulties have been encountered, and that, notwithstanding the unusual severity of the past two winters, the traffic has been carried, both on the eastern and north-western sections of the line, with singular freedom from accident or delays; and the statement is now submitted with entire confidence, that fewer difficulties will be experienced, in the future, than on any other railway in Canada or the northern United States, and that, owing to the superior character of the line, the expenses of maintenance and operation will be considerably below the average.

The directors regret losing another of the original associates, who together undertook to carry through this work, Baron Reinach, of Paris, having resigned his seat at the board in December last. Mr. John Turnbull, who consented to join the board temporarily in March, 1884, now desires to retire.

In conclusion the directors desire to say that it has been their aim in this report to give information necessary to enable each shareholder to form his own opinion of the position and prospects of the company. While the past eighteen months have been a period of some anxiety to the directors, and the difficulties and embarrassments connected with the undertaking sometimes seemed as if they might prove to be overwhelming, yet amid them all the directors have never for a moment lost confidence in the ultimate success of the enterprise.

GEORGE STEPHEN,
President.

Montreal, June 18th, 1885.