to increase, as I trust it may do, & as I think in the immediate future there is every prospect that it will, I say that even in those circumstances you must remember that an increase brings with it additional higher prices for material & higher claims for wages, while there is one thing that does not rise, & that is the rates. And upon that subject I have spoken to you upon more than one occasion, & if I now address a few words to you on the subject, it is because I think it is the duty of those who are responsible for the management of this great corporation to add their voice of complaint & expostulation to the chorus which has been raised by all of the railway companies on the continent on the other side against the unfortunate existing state of things, which is very much owing, if I may venture to say so respectfully, to the neglect which the interests of the great American railways have received at the hands of Congress. Now, like all the great railway companies, we have been suffering very severely of late from the great increase of prices—the enormous rise in the prices of all articles & materials required in the maintenance & equipment of our lines. It has been calculated that during 1899 the cost of maintaining a first-class railway in its normal condition has been $300 a mile in excess of what was required during 1898. To descend from generalities to particulars, I will mention the case of engines. The market price of eng nes, which 2 years ago was from $11,500 to $12,000, is to-day $16,000, & the same causes which produced this increase affect the cost of material purchased for use in our own shops. A similar remark applies to the material for car construction & also for steel rails. I must just mention that by good fortune, & I may say some little foresight on the part of your directors & the management, we were able to secure contracts for the delivery of a very large quantity of 80-lb. steel rails, in anticipation of our future wants, in excess, no doubt, of the price that we paid in the previous year, but very considerably less than the market prices. In the same way we purchased from the Baldwin Locomotive Works for delivery last Nov., 10 heavy engines for $12,500 each, whereas had we delayed our order we should have had to pay $15,000, & we should not have obtained delivery until Mar., 1900, which would have caused us the greatest possible inconvenience. We cannot always expect to make such good bargains as that, nor to be always beforehand with the market, & I only mention to you these circumstances as indicating the great difficulties we have to contend with owing to the great rise in the prices of all material; but the most serious factor against which the management has to contend is that of inadequate & especially of fluctuating rates for the carriage of freight. Prices may not always remain at their present high level, & some alleviation may be obtained in this respect, but there seems no indication of better rates. In 1883 Sir Henry Tyler, in one of his interesting addresses to the proprietary, deplored the fact that rates had fallen to 30c. per 100 lbs. for grain from Chicago to New York, & he said that never, except in a time of intense competition, had the G.T. worked at so low a winter rate. The rate this winter has been 13c. for grain for export & 15c. for grain for domestic consumption from Chicago to New York, & we are expected to congratulate ourselves because the rate on both classes was to be put back to 15c. from the 1st. of this month. That has been done. Yet, there is something even worse than low rates, & that is unstable rates, & the uncertainty of maintaining them at the published tariff, whatever they may be. The question is constantly and not unreasonably asked, "How is it that these great railway corporations, so rich & so powerful, are not able to maintain rates?" & I assure you that is a question that I have always found it very difficult to answer. You would have thought that with great systems, say, for instance, the Pennsylvania & the great Vanderbilt interest—these great corporations controlling, as they do, many of the lesser lines—you would have thought that the influence of great, rich & powerful financiers of New York, & their enormous interest in keeping rates steady, you would have thought that the interests of the public—and it is calculated that about one-fifth of the wealth of the U.S. is invested in railway securities—you would have thought that all these great interests would have been powerful enough to insist that rates should be maintained; but apparently they have not been able to do anything of the sort. During this late car famine, of which I spoke to you when there was absolutely an insufficiency of equipment to convey the traffic which was being forced into our railway stations, you would have thought that railways would have been masters of the situation, & that rates would have risen. Nothing of the sort; they remained as low as ever. The only answer to this vexed problem appears to be that the big shippers are more powerful than all these things that I have mentioned, & they are strong enough & wealthy enough & powerful enough to impose their will upon the railways. This most disastrous state of things—because not only does it affect the railways most injuriously, which railways are thus obliged to earn their money under the yokes of these people, & I am told that many of these people have never been known to pay the full tariff rate—this not only has an effect upon the railways, but a great public evil is caused—a great public & great economic evil is caused—by the action of those people, & by the unfortunate weakness of these railway companies in concurring in this state of things; & that is that the small shipper, the weak shipper, the struggling shipper, is obliterated. But I will not dwell upon that, because it is, perhaps, rather outside the purview of our own particular question; but I will mention that the Interstate Commerce Commission, who were originally appointed rather especially with a view of controlling & restraining the railways—they are loud in their denunciation of the present state of things, & they have reported to Congress only last year, that the situation was deplorable, & that the present law is inadequate to deal with it. You will remember that the Anti-trust Law of the U.S. prohibits railways from combining, or, at any rate, it restricts the courts from enforcing any contracts made between the companies &, as has been truly said, all the world may combine against the railways, but the railroads may not combine for their own protection. Employes may combine against railroads to get more wages, but the companies may not combine to maintain reasonable rates. I must add one other reference to the weighty reports of the Interstate Commerce Commission which I just alluded to. They state their opinion that the "Government must in some form assume such a measure of control over railway rates & management as will restrict excessive competition, & ensure to all shippers, large & small, rich & poor, strong & weak, the same rights & privileges in everything pertaining to railway service," &, they add, "every consideration of private justice & public welfare demands that railway rates should be reasonable & uniform to all shippers & equitable between all communities, & until needful legislation is supplied that demand must remain unsatisfied." The remedy proposed by the railways is that pooling shall be legalized, & also the contracts entered into among the railways for carrying out such a system as that should be recognized & enforced in the courts—in short, what might be called "legalized co-operation." All we can do is to speak loudly in that sense, as all the other railways are doing on the other side of the Atlantic, in the hope that our views may be heard by Congress, & that some legislation may be carried into effect in the sense I have just indicated to you.

The working of the Chicago & G.T.R. has not been very satisfactory for the past ½-year. There has been a very considerable increase in the gross receipts, a large increase in the tonnage of freight; but unfortunately the expenses have also increased in a still larger ratio, & the consequence is that the deficiency is increased, I think, by £4,703. On the other hand, I am happy to say that the Detroit, Grand Haven & Milwaukee Ry. shows a much more satisfactory result, & for the first time since 1891, the ½-year's working has absolutely been able to show a surplus, a surplus of £5,088. The Central Vermont, of which so many deplorable accounts have been related in this room, I am happy to tell you is working most satisfactorily. After the reorganization of that Co., in which we took so large a part, as you will remember, we always expected that as soon as the line became disentangled from the loose, free, & easy management which had controlled it, we always anticipated very satisfactory results from putting the line under better management; but the results, under the able management of Mr. FitzHugh, & under the control of Mr. Hays, have surpassed all our expectations; & the consequence has been, as I think it is stated in the report, that the working for the 8 months ending Dec. 31 shows a very substantial surplus over the fixed charges. This result is a result most creditable to our officers, &, as I said before, it goes beyond what we certainly ever could have hoped for.

There is one item of expenditure which I should like to mention to you—it is alluded to in the report—& which, I think, will have your approval. The people of this country, & not least of all, the shareholders of the G.T.R. whose fortunes & interests are so clearly identified with those of the Dominion of Canada, have applauded & admired the noble & patriotic attitude of Canada in these recent times. And when the other day a patriotic fund was formed in Canada for the relief & for the advantage of the gallant Canadians who are fighting the battles of the Empire in South Africa many thousand miles from their own country, & for their families during their absence, we felt that it was our duty—& we also felt that we should have the cordial approval of our proprietors if we added our contributions in these prosperous times in which we are placed to that most excellent fund. We judged that we should have your approval & we contributed a sum of $15,000 to this fund, & I am happy to say that our example was promptly followed by the C.P.R. Co.

I now come to a matter somewhat more complex & somewhat more troublesome than those matters with which I have already troubled you. I must say a few words upon the position, especially upon the financial position, of the Chicago & G.T.Ry., & I am very glad in having the opportunity of giving some information or explanation to those persons who, I venture to think, are persons who are imperfectly acquainted with the real state of affairs. You must please bear in mind three things in considering the position of the Chicago & G.T.Ry. In the first place, that Co. has a very heavy floating debt which it has no power to liquidate, no means to liquidate. In the second place, the Chicago & G.T.Ry. is unable to earn under present conditions even its fixed charges; &, in the third place, it is absolutely indispensable—if the Chicago & G.T. is to maintain a position of any sort in competition with the other railways out of Chicago—it is absolutely indispensable that a very large sum, should be spent upon double-tracking the line, improving the line & improving its equipment. Those are three points which I must beg you to bear in mind in considering this question. Now, as regards indebtedness. The Chicago & G.T. at present is under indebtedness to the G.T. Co. of