

reason of the fiscal year of the Executive Committee embracing a different period from those covered by the fiscal years of the two Companies, it has been determined, with the assent of the Directorates of both Companies, to take the opportunity of the present report for assimilating the three systems by embracing in its statements the whole period during which the lines have been worked on joint account, viz., from 1st July, 1879, to 31st December, 1880; from which latter date all the accounts will run concurrently.

2. The gross earnings for the eighteen months have amounted to \$1,830,205.24 (£376,069 12s. 4d. stg.), whilst the expenditure on all the working services has amounted to \$1,122,002.77 (£230,671 16s. 8d. stg.), yielding a net revenue of \$707,002.47 (£145,397 15s. 8d. stg.), divisible as follows, viz:—

To the Northern Railway Company.....	£101,778 9 0
" " Hamilton & North Western Company.....	43,619 6 8
	£145,397 15 8

Charging this net revenue with the aggregate interest liability upon the Debenture debts of both Companies £139,707 stg., there is an available balance of £6,690 15s. 8d. which the Executive Committee recommends for appropriation to an interim dividend of 1½ per cent. on the Preference stocks of both Companies, absorbing the sum of £1,800, and leaving an ultimate balance of £890 15s. 8d., to the credit of the Companies.

3. It is not possible to establish any authoritative comparisons with periods anterior to the date of fusion, as the mileage of the North-Western line in traffic operation was then incomplete; from the records, however, of the two Companies it appears that the earnings of the two lines in 1880 were in advance of those of 1879, \$202,514.25 (£41,612 10s. 5d. stg.), or at the rate of 19.76 per cent.

Comparing the second half of 1880 with the like period in 1879 (the total mileage having been the same and both periods alike under the administration of this Committee), it will be found that the increased earnings in 1880 were as follows:—

In Through Freight increase.....	\$34,323.19	or 49.95 pr. ct.
" Local Passengers increase.....	13,404.97	" 07.22 pr. ct.
" Local Freight increase.....	48,001.58	" 15.06 pr. ct.
" Mail & Express services, increase	2,527.07	" 12.61 pr. ct.
" Warehouse & Storage, increase	3,089.01	" 34.81 pr. ct.
" All other sources, increase.....	708.98	" 46.11 pr. ct.
Aggregate increase on half-year ending 31st Dec. 1880.....	\$102,054.80	or 16.91 pr. ct.

4. The working expenses for the year 1880 have been at the rate of 63.33 per cent. of the gross earnings, and for the whole period under revision have represented 61.34 per cent. of the gross earnings.

The "working expenses" of the Northern Company during the previous six years (1874 to 1879 inclusive) have ranged from 57.07 to 63.66 per cent. of gross earnings, giving an average 60.05 per cent.

Although this rate of working expenses is, on a Canadian standard, very moderate, still the working of a system which involves a broken gauge is necessarily costly, and it is indisputable that the absence of uniformity between the two lines and between the Northern and all the outlying lines, has caused much increased and exceptional expenditure, and prevented economies which would have otherwise resulted from the fusion; and it is significant that whilst the items of outlay affected by the broken gauge have severally advanced, those not so affected (such as Terminal Services, General Supplies and Charges and Miscellaneous Expenses) have, since the fusion, been reduced to the extent of 6.11 per cent.

The experience of the committee justifies the belief, that on the gauge being assimilated, the rate of working expenses should be brought within the range of 56 to 58 per cent.

5. The expenditure on works chargeable to capital account has necessarily been heavy, in bringing the two lines into common working. The details of this expenditure will be found in the appendices, and it will be seen that important additions have been made to the locomotive and rolling stock, and to the station buildings and grainhouses on both lines; that upwards of eleven miles of additional sidings have been laid in, and that a new and additional telegraph line has been constructed for the Companies' service, from Barrie, to Port Dover, say 110 miles. The whole outlay on these services has been \$156,392.50=£32,135 13s. 1d. sterling.

6. The obstructions of the broken gauge culminated last September and October in a complete break down of the transport in consequence of delays in transhipments between the gauges, and an inadequate supply of freight cars, causing embarrassment to every commercial interest, a serious loss of revenue to the Companies, and large additions to the working expenditure.

The Committee, feeling that immediate remedial measures were imperative, have promoted an agreement between the Companies, having for its object the raising of new capital for appropriation to a change of gauge of the Northern, and to substantial additions to the rolling stock equipment of the lines, and this agreement, executed on the 21st of February, 1881, is herewith transmitted for approval and confirmation, together with copies of the following Acts, giving power to the respective Companies to raise additional capital as follows, viz:—

1. The Northern Railway Company Act, 1881, being an Act of the Dominion of Canada, authorizing the said Company to issue "Joint Working and Equipment Bonds," to the amount of £134,000 sterling; such Bonds to constitute a lien upon the real and personal property of the Company for principal and interest, next after the existing Third Preference B Bonds of the said Company.

2. An Act of the Province of Ontario, amending the Acts relating to the Hamilton and North-Western Railway, and authorizing the said company to issue "Joint Working and Equipment Bonds," to the amount of £66,000 sterling; such bonds to form a claim and charge for principal and interest upon the undertaking, and upon the real and personal property of the said Company, subject to the existing first mortgage bonds of the Company.

The issues so authorized are to be made by the respective Companies from time to time, under authority of this Committee in the proportions, for the purposes and subject to the approval of the respective proprietors, as set forth in the said agreement and Acts; and the Committee recommends that such approval be obtained at the earliest practicable moment.

7. The Committee have caused estimates to be framed of the cost of changing the gauge, and of making such additions to the locomotive and rolling stock equipment, and of such additional works as may be necessary to the increasing traffic, and these may be summarized as follows:—

(a) Change of Gauge:

1. Conversion of permanent way	£10,274
2. Conversion of engines.....	8,363
3. Conversion of rolling stock.....	11,576
	£30,213

(b) Additional Equipment:

4. Locomotive power.....	£31,386
5. Rolling stock.....	23,219
	£54,605

(c) Works and Buildings:

6. Hamilton station and elevator.....	£12,000
7. Collingwood and Allandale Junction Lines.....	4,726
8. Additional sidings.....	5,500
	£22,226

Total for appropriation. 1880-81.. £107,044 8. The estimates for revenue, based upon close and detailed enquiry, show that so soon as the gauge of the whole system has been assimilated, and due additions made as proposed to the transport power of the lines, say from 1st July next, the gross earnings may be expected to advance not less than 15 per cent., whilst the working expenses ought to be reduced to 56 to 58 per cent. The Committee confidently believe that these anticipations will be realized, and that, from and after the above date, the net revenue will be sufficiently augmented, not only to provide interest on the special issue now to be made, but to bring the Preference Stocks into full Dividend, with possibly an early reversion to the ordinary stock.

9. The works and equipments of the lines have been maintained in substantial and efficient condition.

By order of the Committee,
FRED. CUMBERLAND,
Chairman.

WALTER TOWNSEND,
Secretary.

Toronto, 24th March, 1881.

NORTHERN RAILWAY OF CANADA.

REPORT OF THE CANADIAN DIRECTORS.

To the Proprietors of the Northern Railway of Canada.

1. The Canadian Directors have the honour to present their report for the year ending 31st December, 1880.

2. The Report of the Joint Executive Committee is herewith submitted, and it will be observed that to overcome the technical embarrassments under which the Reports of last year were made, the Executive Committee has now assimilated its fiscal year with those of the Northern and North-Western Companies.

3. The earnings of the lines have shown very gratifying advances, amounting, for the year 1880, to £41,612 10s. 5d. stg., or 19.26 per cent. over 1879.

4. The Working Expenses for 1880 have been at the rate of 63.33 per cent. of the gross earnings: but for the whole period reported upon by the Executive Committee, were 61.34 per cent. The Directors are assured that, so soon as the gauge of the lines has been assimilated, the working expenses will range from 56 to 58 per cent.

5. The proportion of net Revenue to which this Company has been entitled for the eighteen months now reported upon by the Executive Committee has amounted to £101,778 9s. 0d., of which the sum of £99,207 has been appropriated to the payment of all Interest Dividends accruing due on the Debentures of the Company.

Of the balance (£2,571 9s. 0d.) the Directors propose an interim dividend of 1½ per cent. upon the Preference Stock, absorbing £2,250, and leaving a balance, on 1st January, 1881, of £321 9s. 0d. to credit of net revenue account.

6. The Directors have given their cordial support to the Executive Committee in promoting an immediate change of gauge on the Northern, and in making such additions to the equipment of the lines as the increasing traffic necessitates, and with this view they have executed an agreement with the Hamilton and North-Western Company, having for its object the raising of such additional capital by the issue of joint working and equipment bonds by the respective Companies to an aggregate amount of £200,000 sterling, of which it is proposed to make an immediate appropriation to the aforementioned purposes of, say, £110,000, holding an unissued reserve for similar objects, as further development of the traffic may demand and justify.

This agreement will be presented to you, and you will be invited to approve and confirm it.

The Company's Act passed at the recent session of the Dominion Parliament authorizing the issue of Joint Working and Equipment Bonds will be laid before you; but it is not at