

freight traffic, already created, and will afford constant employment for a large number of cars.

Five or six sleeping cars should be added to the equipment in time for next summer's business; it will probably be necessary, also, to provide for additional grain storage at Fort William to the extent of 1,000,000 bushels, bringing the storage capacity at that point and Port Arthur up to 2,750,000 bushels.

I beg to call the attention of the Directors to the very unsatisfactory state of our steamship connections at the Pacific terminus. The service between Vancouver and Victoria is performed reasonably well, but the line to San Francisco is most inferior in character, is shunned by passengers, and is almost impracticable for freight. Our connection with Seattle, Tacoma, and other Puget Sound points is made by means of small local boats, not at all suited to the purpose. The Alaska trade, the passenger business especially, is increasing rapidly and is already of much importance to the Canadian Pacific Railway, but the steamships plying in that direction do not touch at Vancouver, and we are not able to compete for the business on anything like equal footing with rival lines. Notwithstanding its disadvantages, in the way of steamship connections, the past year's experience has demonstrated clearly the ability of the Canadian Pacific to compete successfully with any and all of the other trans-continental lines for San Francisco and Puget Sound trade; and when the present meagre population of British Columbia is compared with that of the Pacific Coast States to the south of us, and within our easy reach, the importance of suitable connections will at once be apparent. To provide such, two handsomely appointed and reasonably fast steamships would be required for the San Francisco trade, and two smaller, but fast and well appointed vessels, for the Puget Sound and Alaska trade. We have already had sufficient experience in this business to justify the belief