

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 37	\$1,980,902 30
Freight.....	2,755,915 99	3,410,365 39
Mail.....	69,109 16	85,736 83
Express.....	57,171 16	95,671 68
Sleeping cars.....	24,071 55	43,492 60
Miscellaneous.....	52,796 72	134,352 47
	\$5,423,695 05	\$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.
\$1,274,000 gross. \$623,103 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.

Mos.	Earnings.	Expenses.	Net Earnings
	\$ cts.	\$ cts.	\$ cts.
Jan.	274,645 02	401,915 19	127,270 17 †
Feb.	224,638 54	363,965 48	139,326 94 †
Mar.	279,575 22	355,275 76	75,700 54 †
Apr.	343,966 52	318,938 71	25,027 81
May	424,556 77	349,739 93	74,816 84
June	550,661 22	399,030 12	151,631 10
July	549,367 21	394,673 03	154,694 18
Aug.	565,814 47	383,983 85	181,830 62
Sept.	639,839 78	407,628 74	232,211 04
Oct.	735,531 11	438,082 62	297,448 49
Nov.	640,373 38	395,160 37	245,213 01
Dec.	521,552 03	350,236 95	171,315 08
	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.
	\$ cts.	\$ cts.	\$ cts.
Jan....	423,764 16	339,058 50	84,705 66
Feb....	401,508 14	334,361 71	67,146 43
March	489,151 89	360,624 66	128,527 23
April..	692,141 43	367,776 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

† Deficit.

1884 the result for the present year will be a net profit of \$2,113,904.

As an increase in net 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 wish 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 \$3,000,000; 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 expectation 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 Northwest 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.

The total sales up to December 31st, 1884, were.....3,730,187 acres
Less cancelled sales..... 129,924 "

3,600,263 acres

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 settlement along the main line now extends something 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 hold 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 any private interests of any description to absorb any portion of their profits.

The disturbance among the Metis and Indians of the Northwest 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 3 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 northwestern 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 Turbull, 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