

may call that incubus upon us which arises out of the necessity which we have of spending a large sum of money to meet the requirements of the U.S. Safety Appliances Act. I have mentioned this matter to you two or three times before. No cars can now be used in inter-state traffic unless they are equipped with air brakes and automatic couplers of certain types, and the total expenditure we have been obliged to incur—we could not escape from it—has been about £300,000, charged to capital. We are within a measurable distance, I hope, of the completion of that extraordinary expenditure. So far as we can judge, a further expenditure of about £22,600 will complete all that will be required of us. I can only express the hope that the anticipations of the framers of that legislation, and of the Inter-State Commerce Commissioners, will be realized in our case, and that greater safety may be ensured to our employes and to travellers, and also that it may conduce to the more economical and better handling of the heavy trains and heavy engines which pass over the line.

The next matter of interest which I may mention to you as regards capital expenditure brings me to Portland, and there you will observe from the report that it is intended to erect a new grain elevator of the capacity of 1,500,000 bush. Two or three years ago we came to you and explained the necessity for erecting such an elevator. That elevator, having a capacity of about 1,000,000 bush., was erected, and it has been doing excellent work up to the present time. The money was advanced by the city bankers, and the interest and sinking fund for the eventual extinction of the debt has been met out of the earnings of the elevator, while we have derived a great advantage in its use. Our business is so increasing at Portland that it has been thought desirable to supplement the existing elevator accommodation by further accommodation of that description, and under similar arrangements to those which I have just mentioned to you, another elevator is going to be erected, with a capacity this time of about 1,500,000 bush., the interest and sinking fund being met, as it is confidently expected will be the case, out of the charges for the use of the elevator. I must just say in passing that there has been some little excitement—although, perhaps, "excitement" is a strong word—but a certain amount of discussion in Canada in consequence of the progressive work which we have been doing at Portland. There is possibly, and not unnaturally, a certain feeling of jealousy on the part of Canada to see a Canadian railway, and a railway so much bound up with the best interests of Canada, seeking an outlet in the U.S.; but no ill-feeling has really arisen in the matter, although some criticisms have been made by the newspapers. But that has passed away. I think the people of Montreal thoroughly well understand the case. We have explained to the authorities there that there is no idea on the part of the G.T. to create discrimination between Montreal and Portland. Portland is an important outlet, and it is only reasonable that we should bring a proportion of our freight down there, especially when you consider that the facilities at Montreal for storing and shipping grain are inadequate and insufficient for our requirements. That being the case, it followed that we could not allow a mere feeling of sentiment to interfere with the best interests of our Co., and I think our Montreal friends understand that now. In point of fact, I believe that out of this little feeling of jealousy which I have alluded to there may come considerable advantages for Montreal itself. The city authorities seem to be instigated now to greater exertions. They appear to be awake to the necessities of Montreal, and I believe they are going to expend a considerable sum of money in improving their harbor facilities. Nobody will

be more pleased than the G.T. Co. when that has been achieved, especially as we shall largely share in those benefits. I wish to say these few words so as to deprecate any idea of our ever attempting to act in any spirit of discrimination or rivalry towards the Dominion to which we owe so much.

There are two matters of interest which I will now allude to in connection with the opening of the great exhibition at Buffalo, which the Americans claim—and perhaps not unreasonably—bids fair to eclipse the Chicago exhibition, and even the Paris exhibition of the other day. I hope some of you will go there and see it for yourselves. I am going to Canada next week in your interests, and I shall be pleased when I next meet you in October, to give you an account of that exhibition. As you are aware, our connection at Buffalo is by means of what is called the International bridge crossing the Niagara river. That bridge was built many years ago. It has been a fine and useful structure, but in consequence of the increasing traffic, and, above all, the increased weight of loads of the trains and locomotives that pass over it, it was found indispensable to strengthen and improve it. The work has been undertaken under the auspices of our excellent engineer, Mr. Hobson, whose name is familiar to you, and is now very nearly completed. The result will be to improve the carrying capacity of the bridge by about 140%, and the expense, which will not be very considerable, considering the work done, will all be found out of the revenue of the bridge company and will not be a charge upon capital. We have succeeded, after a long period of disappointment and negotiation, in obtaining for the first time for our local traffic excellent terminal accommodation in Buffalo. If any of you have ever been there, you must have been very much surprised and rather disgusted at the inferior accommodation which we have had to put up with hitherto. Now, our officers have been able to make arrangements with the New York Central by which we have access to its union station, which will be of considerable advantage to our local traffic.

I must say a word, of course, about our G. T. Western Ry., which you perhaps hardly recognize as the successor of the Chicago and G. T., of which you know a great deal—perhaps some of you too much. The reorganization of the new company is satisfactorily accomplished. The new bonds are now in course of transit to this country, and will be ready for exchange for the old C. and G. T. bonds in a short period. The double tracking of the line has been progressing, and already 28 miles have been double tracked, and we have had temporarily to provide funds for this purpose. On that account £87,000 had been advanced to Dec. 31st last. These together with any further advances that may be necessary, will be refunded to the G. T. Co. out of the proceeds of the G. T. Western 4% 1st mortgage bonds set aside for capital purposes. So far, the working of this line—which up to Dec. 1st last still remained the C. and G. T. line—for the year 1900 has been satisfactory, and I think promises well for the future. The working from the beginning of Jan. to the end of Dec., during which the receivers were in charge of the line for the first 11 months, resulted in a net increase of profit of £27,265; and as there was a decreased net revenue charge of £21,014, the result was that the C. and G. T., or the G. T. Western, according as you like to call it, showed £48,279 better than in the preceding year. I must just mention, so that you may not be led into a misapprehension, that a portion of that increase would not apply to the future, inasmuch as it does not comprehend the interest upon the bonds of the new Co. which have been reserved for capital purposes, and which will gradually come into course of payment. However, the

results of the operations of the line are so far satisfactory, and it is to be hoped that we are not too sanguine in anticipating that the G. T. Western Co. will not only be self-supporting, but that the G. T. will derive increased advantage from the sacrifices it has made.

I need only say one word in passing about the Central Vermont, which I generally allude to, in order to inform you that last ½-year's earnings were sufficient to pay all the fixed charges, and leave a small surplus. During the first two months of this year, the working operations, I am sorry to say, have not been altogether satisfactory, but I am not able to speak with any confidence until we see the result of the remaining months of the half-year. I shall take the opportunity of visiting the line when I go over there next month. I am also sorry to mention, with regard to the Central Vermont, that we have lost our General Manager, Mr. Fitzhugh, from whom I had hoped great things, and who was doing excellent work. He was an old brother officer of Mr. Hays, on the Wabash, and he has elected to follow the fortunes of his chief, and go with him on to the Southern Pacific Ry. Another great loss to the Central Vermont was that of Mr. Wilds, whose name I have mentioned to you before, and who was one of our directors upon the line, and who rendered us excellent service in carrying through the reorganization of the Central Vermont. It was largely owing to his intelligent and active efforts that we were able to make the arrangements we did, and I cannot tell you how much we regret his loss.

The report informs you that two acts have been passed by the Dominion Parliament, and which must be submitted for your approval, and this we propose to do now. The first of these relates to the G. T. Western, and is merely a ratification of the agreement which you have already approved of, and, therefore, I need not detain you by going into the merits of it. I have more than once had occasion to explain to you the nature of the agreement which was entered into between the G. T. and the G. T. Western, and as late as Dec. 11 last we had a special meeting in order to go into the whole question, and to obtain from you confirmation of that agreement. That agreement is now confirmed, and is merely embodied in this act, which, pro forma, requires to be submitted to you in order to have effect. It must be confirmed at a general meeting at which two-thirds of those present in person or by proxy approve of it. There are some other provisions in that act to which I will shortly refer. The Act neither increases nor diminishes the borrowing powers of the Co. as they at present exist. It contains provisions authorizing the substitution of the G. T. Western bonds to be received in the terms of the C. and G. T. reorganization for the C. and G. T. bonds, which, under the powers of the G. T. Act of 1887, had been previously acquired by the issue of, and held as security for, the debenture stock. And there is also a provision with reference to certain borrowing powers which from time to time have been granted to the G.T.R. for special purposes. They amount in the aggregate to about £319,000, and it is proposed that instead of those powers being ear-marked, as described in the schedules of the various acts, we should be empowered to use them for general purposes. It will have the effect of somewhat simplifying the complicated provisions upon which our borrowing powers are now based.

The other act relates to one of our Michigan lines—the Cincinnati, Saginaw and Mackinaw. The history of that line is shortly this: In 1890 an agreement was entered into for the working of this line by the G. T. and the Chicago and G. T. companies jointly, upon the basis that it was to be worked at 70% of the gross profits, the two companies paying so much of 25% of their gross earnings of interchange with the C. S. and M. line as might be re-