

Your Directors are happy in being able to report a prosperous season, and to submit results fully confirming their anticipations of a year ago. The results are especially gratifying since they were secured under somewhat adverse circumstances.

For the first half of the year the traffic was fairly good, but unfavourable weather about midsummer caused great damage to the crops of Manitoba and the other North-western Provinces, and resulted in the lightest yield within the experience of the Company; and in Ontario the yield was, at the same time, below an average. The earnings for the last half of the year were seriously affected in consequence, and the earnings for the first half of the present year will likewise suffer to some extent from the same cause.

The effect of a bad harvest on grain freights, which afford comparatively little profit, is not nearly so serious as its effect on the vastly more profitable general local traffic, both freight and passenger, to offset a loss in which no material saving can be made in working expenses.

In order to make good the loss in local traffic resulting from the bad crops, a large amount of freight of a leaner description than is usually sought by the Company had to be moved, and this considerably reduced the average earnings per ton per mile as compared with the year before, and made the proportion of working expenses to gross earnings more than it otherwise would have been.

While the results of the harvests will always be a matter of great importance as affecting the earnings of the railway, the past year has shewn that it is already comparatively independent of the crops of any one Province or