THE CANADIAN PACIFIC STATEMENTS.

The Report of this great Railway, presented at the annual meeting on 4th inst., is a very voluminous document. It discusses a variety of topics connected with the history of the road in the past year, and some preceding ones, at such length, the reader is apt to get lost amid such a maze of details. There is much in the statements relating to the intricate financial relations which have arisen between the C. P. R. proper and a number of its branches and subsidiary lines, which have to be "taken as read," for to understand them thoroughly requires an expert knowledge of railway management, as well as of the specialties of railway financing. We have never had a very high opinion of the methods in vogue of presenting railway financial statements. Whether intentionally or not, they are usually made incomprehensible to outsiders, by terms being used sometimes with one meaning, sometimes with another, and results arrived at which are not deducible from the data furnished. By a careful study, however, of the statements, we have been enabled, we trust, to present their salient and their really important features in a readable form. The broad fact of there being no funds available to pay a dividend on the stock for past half year suggests an enquiry into the causes of this deficiency. They are: the lowering of traffic brought to the C.P.R. from American roads, owing to the disastrous depression of trade caused by the panic of 1893; the decline in strictly Canadian traffic, partially arising from general trade depression in Canada, but more especially from the low prices of wheat leaving so little margin for railway travelling by farmers; the heavy losses of plant and traffic by floods in British Columbia; to these, given by the President, we add the lower receipts from freight by competition, and the very heavy burthens laid on the company by its policy of securing subsidiary lines, which were not profitable.

The following comparative statement of receipts and expenses for 1891, 1893 and 1894 tells its own tale:—

Receipts.	1891.	1893.	1894.
	$	$	$
Passengers..........	5,151,121	5,650,206	4,840,414
Freight..............	11,643,641	12,673,075	11,445,377
Miscellaneous	1,877,412	2,639,036	2,466,376
Totals.......	$18,672,174	20,962,317	18,752,167
Expenses...........	11,538,134	13,220,901	12,328,858
Net earnings........	$7,134,040	$7,741,416	$6,423,309

This falling off in net earnings in 1894 of $710,731 below those of 1891, and of $1,318,107 below those of 1893, is a very serious feature, the more so, as since 1891 the connections of the road have been greatly enlarged, so that a much higher amount of earnings ought to have been made last year over previous periods to have produced an equality in the results. The falling off therefore is far greater than appears on the surface. It is manifest from the Report that the funds of the company were heavily drawn upon to give "material assistance" to subsidiary lines, which ought rather to have given such assistance to the company. Advances are detailed as having been made to the Duluth, South Shore & Atlantic, and the Minneapolis, St. Paul & Sault St. Marie railways. The sum of $1,316,924 is stated to have gone to secure control of the Duluth & Winnipeg Railway, which has the appearance of buying off competition. Other sums aggregating $694,487 are stated to have been made "towards the payment of fixed charges" on the railways named, "which," says the Report, "has been charged against revenue." Here then we have a total of $2,011,411 expended on operations outside those directly connected with the working of the main line. These outlays are said to have been necessitated by the severe depression of these railways from the "paralysis of traffic." The Directors express their great disappointment at the results of these advances, but "hope when business revives the monies may be recovered." Until that is the case, until those subsidiary lines are a source of profit, or at least not of expense, we see in them a burthen which will prove to be depressive of the stock of the Canadian Pacific. Indeed, under the most favorable conditions, the subsidiary lines so bonused, or helped, will long continue to excite considerable anxiety to investors. The cost of buying off a rival seems to us rather a capital expenditure than one chargeable to income. The object is certainly one which stockholders may fairly object to having their dividends sacrificed to secure. The Board questions the prudence of having paid a dividend in August last, when the conditions of the treasury did not justify the step. This course is avowed to have been taken not because the funds then warranted it, but from reliance upon a revival of trade, for which the prospects were not apparent. It is, however, "no good crying over spilled milk," but we trust in future the lesson of 1894 will be a warning against any dividend being declared on "great expectations," instead of what has been actually realized.

The sum of 7 millions due the Quebec Government is arranged to be paid in two halves, on March 1st, 1904 and 1906, the interest being reduced from 5 to 4.05 per cent. The land sales were 49,467 acres, at an average of $3.23 per acre. The lands owned are 17,273,000 acres, upon the disposal of which the prosperity of the C. P. R. largely depends. The Report explains the non-utilization of the $4,000,000 laid aside "to meet any possible deficiency in the earnings applicable to dividends," by stating that the fund "was heavily trenched upon to pay the August dividend," and for those outlays to subsidiary lines above referred to. After so frank an avowal, that the surplus, or reserve fund of 4 millions, which was stated in the 1893 Report to have been specially laid aside to keep the dividends from falling below 5 per cent., had been largely used for totally different purposes, we are not surprised at such a policy being severely censured by Mr. Donald McMaster and Mr. F. Wolferstan Thomas. The Directors doubtless were placed in a very embarrassing position, by the necessity of giving help to subsidiary lines; but it would have been, we submit, wiser to have taken the shareholders more thoroughly into their confidence, when the difficulty arose, than to have sprung such a surprise upon them as the passing of the dividend in February last, and then revealing that the 4 millions of