

facts in connection with these lines and to refer to the position the system will henceforth occupy in relation to the traffic of the country. The construction of the new lines involved a greater expenditure than was first contemplated. During the years of construction your directors became impressed with the increasing weight of train loads, which necessitated the older established railways in Canada and the U.S. spending huge sums of money in line revision, and decided that it would be true economy to build these important sections of the system's main line to a standard that would forever obviate the necessity of revisions for grade improvement. As a result, your railway now crosses the summit of the Rocky Mountains by means of 7/10 of 1% grades confined within one division; and these are the heaviest gradients opposing east-bound traffic—the direction of the heaviest haul—between the waters of the Pacific at Vancouver and the waters of the Atlantic at Montreal. Nowhere else on the Pacific Coast Divisions and nowhere on the new lines in Northern Ontario, are grades in excess of 5/10 of 1%. The possession of these favorable grades has given the system an all important advantage in the economy of operation, particularly in carrying the two commodities offering in largest volume, viz., lumber from the Pacific slope of the Rocky Mountains to the prairies and eastern points, and grain from the prairie provinces to Eastern Canada and Atlantic ports. The main line from Quebec to Vancouver is superior to any line crossing the American continent in points of grades and curvatures favoring traffic. Although the transcontinental line has been in operation for only a few months, its superior economies have established the fact that the road must assume a commanding position when traffic has grown to dimensions making general the use of heavy trainloads.

In this connection it becomes necessary to examine the locations of the lines from the point of traffic opportunities, this being of not less importance than the physical condition. The system's railways occupy an enviable position in the prairie provinces, in which the first mileage was constructed. Assuming the population of villages and towns having 1,000 inhabitants and over to be urban, the system's railways serve 90% of the urban population of Alberta, and 97% of the urban population of Saskatchewan and Manitoba. In British Columbia the system has lines serving 78% of the urban population. In Ontario and Quebec, the provinces from which manufactured products are mainly derived for Canadian consumption, the system will have access to cities and towns with 70% of the factory output of these two provinces, when the 40 miles of railway to Hamilton, for which right of way and terminal properties have been secured, is in operation. Further than this, the system's railways are now serving 75% of the aggregate population of the cities and towns of all Canada having 5,000 inhabitants and over. It is only to be expected that the system will not come into full earning power immediately. The initial years of terminal improvements, increases in equipment, changes in organization, and the building up of traffic connections. For some time past your directors have had plans prepared for these matters, which it was hoped to put into effect so soon as the lines between Quebec and Vancouver were completed; but, as a result of the disturbed conditions of finance, this was

found to be impossible. It is hoped, however, that during 1917 substantial progress will be made and, as the plans are carried into effect, the beneficial results will become apparent in the earnings of the system.

The prospects for grain tonnage for the coming year are not as good as they were last year, as will be seen by the following statement of the grain yields for the three prairie provinces, compiled by our Grain Information Bureau; and, although complete returns are not yet available—threshing still being under way—they may be regarded as approximately correct. The yields are as follows: Wheat, 170,500,000 bush.; oats, 280,000,000 bush.; barley, 44,500,000 bush.; flax, 6,700,000 bush.; total, 501,700,000 bush. According to these figures, the 1916 crop will be less than the 1915 crop, by about 250,000,000 bushels; but it is necessary to remember in this connection, that there remained over from the 1915 crop, in the territory tributary to the system's lines, 38,000,000 bush. of grain, which in all probability will be marketed this year. The prices realized by farmers for the 1916 crop, and the unmarketed part of the 1915 crop, are much better than they were a year ago; and the statement which is made to the system's management by an official of the Alberta Department of Agriculture that "the net result this year will increase the farmers' income by several million dollars," in indicative of the generally strong financial position of grain growers along C.N.R. lines in middle Canada. While the proceeds derived by farmers from the 1915 crop were largely required to liquidate past obligations, the returns from the 1916 crop are largely available for the purchases of live stock, machinery, building material, and general merchandise. Fortunately, the system, having its lines directly connected up with the grain country of Western Canada, the industrial centres of Eastern Canada, and the seaports of the Atlantic and Pacific, is in the position to make up the shortage in grain tonnage by a tonnage in general commodities which will be carried at more remunerative rates. The present situation emphasizes the fact that the railway is not as dependent upon grain crop movements as in the past; and, in becoming transcontinental, has acquired a highly diversified traffic.

The following statement of the comparative gross traffic earnings for the four months succeeding the fiscal year under review, is submitted as evidence of this contention:

|                     | 1916.        | 1915.        | Increase.   |
|---------------------|--------------|--------------|-------------|
| July . . . . .      | \$3,834,200  | \$1,961,700  | \$1,872,500 |
| August . . . . .    | 3,684,900    | 1,983,600    | 1,701,300   |
| September . . . . . | 3,187,900    | 2,757,000    | 430,900     |
| October . . . . .   | 3,716,800    | 3,678,500    | 38,300      |
| Totals . . . . .    | \$14,423,800 | \$10,380,800 | \$4,043,000 |

In Oct., 1915, there was a heavy grain movement, and it is pleasing to note that the traffic in other commodities has more than offset the lighter grain movement this year. General trade prospects for the next fiscal year are good. For the 12 months ended Sept. 30, 1916, the total export and import trade of Canada was \$803,000,000 in excess of the corresponding period the previous year; and, fortunately for the country, the balance of trade is on the right side, exports having exceeded imports by \$367,000,000. The exports for this period were \$534,000,000 in excess of the exports for the same period the previous year. Statistics gauging the extent of domestic trade are not available, but if railway tonnage be a measuring gauge—and it is usually accepted as such—the general domestic

trade of the country is substantially better than it was a year ago.

There is, naturally, keen speculation as to the future of Canada after the war, and this is increased by the patent fact that a large measure of the country's present prosperity is due to productions for war purposes. While your directors hesitate to express their views on this matter, they feel assured that the industrial disarrangement through peace will be less serious and of shorter duration than the disarrangement which occurred in 1914 as a result of the war. It must not be forgotten that Canada is essentially a country of the future. Her stock of natural resources remains largely intact. Her vast known mineral wealth is only in the initial stages of development. Her timber resources can be valued in the hundreds of millions of dollars, and will become even more valuable during the world's reconstruction days. Her agricultural resources, which have been the country's mainstay, are still capable of vast development, only one quarter of the surveyed, arable land being under occupation, and less than one eighth of it under annual cultivation. The knowledge of these things must serve to create a spirit of optimism in Canada's future; and a realization that a large portion of these timber, mineral, and agrarian undeveloped resources, now made accessible through the system's new lines, has convinced your directors that the system is capable of an immeasurable expansion in earning power. These things are set forth because your directors believe there is need for a better understanding of the extent to which the system is prepared to enter into the transportation services of Canada, and in partial explanation of the belief they firmly hold that the ultimate prosperity of the C.N.R. system is measurable only by the prosperity of Canada.

**New Directors:** During the year three new members were added to the directorate: W. K. George, of Toronto, Vice President, Sterling Bank of Canada; W. J. Christie, a prominent business man of Winnipeg, and H. W. Richardson, head of James Richardson & Sons, grain merchants, Kingston, Ont.

**Steel Rails Duty.**—In reference to statements which have been made in various papers as to the suspension of duty on steel rails imported into Canada, we are officially informed that no general order in council has been passed suspending the duty. Several of the railways wanted to make contracts for their requirements for the upkeep of their tracks and Canadian steel mills were unable to take these contracts, owing to having large orders for munitions. The railway companies were therefore compelled to look to the United States for their supply at a largely advanced price. Some of the companies applied for a refund of duty, and in each case a refund of duty will be granted on rails so imported during a certain period, with the exception of the war tax of 7½%, which will have to be paid by the railways. It was found absolutely necessary for the government to take action along these lines in order to enable the railways to keep up their maintenance and facilitate traffic during the war.

**G.T.R. Taxes in Michigan.**—The Michigan State Legislature is considering an amendment to the constitution to permit the state to own and control railways, with a view, it is said, of dealing with a claim against the G.T.R. for taxes dating back to 1834, when the Detroit & Pontiac Ry., now a part of the G.T.R. system, was built.