

G.T.R. SEMI-ANNUAL MEETING.

At the semi-annual meeting in London, Eng., Oct. 13, the President in moving the adoption of the report and accounts, which were published in our last issue, said:—"The Co.'s record for the first half of 1902 is again one of progress and prosperity. The revenue shows a substantial increase over the corresponding $\frac{1}{2}$ year of 1901, with the result that we are enabled to recommend you to declare the full dividend for the $\frac{1}{2}$ year on the 2nd preference stock, which has not received any dividend whatever out of the revenue of the first $\frac{1}{2}$ of the year since 1883. The gross receipts for the $\frac{1}{2}$ year were £2,377,201, against £2,287,795 for 1901. The number of passenger carried was greater by 320,414, with an increase of receipts of £49,352, and tons of freight moved showed an increase of 61,275, with an increase in receipts of £36,698. There was also an increase of £4,855 in receipts for mails and express, but there was a slight decrease of £1,499 under the head of miscellaneous receipts. Working expenses, not including taxes, were £1,590,013, against £1,531,261 in 1901, but the percentage proportion of working expenses to gross receipts showed a slight reduction. There was an increase in expenditure on maintenance of way and structures of £18,624, and in charges for maintenance of equipment of £92,061, made up of £19,939 in respect of motive power department, and £72,122 in respect of car department. Owing to the great demand for, and the difficulty of obtaining delivery of, material of all kinds, it was found impossible during the past $\frac{1}{2}$ year to proceed as rapidly as was desirable with rebuilding the locomotives and cars, but the engine renewal fund was increased by £68,643, and the car renewal fund by £117,720, and those funds stood at June 30 last respectively at £148,455 and £164,726 which are available for the replacement of the stock, and rapid progress is now being made with the renewals. The return of the rolling stock shows that the normal official stock remains at the same amount as in preceding years, but the figures may, to a certain degree, mislead you; for, while the number of cars and locomotives are substantially the same as they were some years ago, they represent a far larger amount of hauling power of locomotives and capacity of cars. A few years ago we built no cars of greater capacity than 20 tons, and most of them were only of 10 tons capacity, but now we build none less than 30 tons, and our locomotives, which a few years ago weighed 47 tons, now weigh 91. As a set-off against the increases mentioned, the cost of conducting transportation was reduced by £51,622, notwithstanding the increase in the number of passengers and tons of freight carried. During the $\frac{1}{2}$ year, although there was an increase of $10\frac{1}{2}$ millions in the number of tons moved one mile, the freight train mileage was reduced by 728,213 miles, which means that the average freight train load was increased by something like 17%, of which about 3% was due to the increased number of cars per train, and the remainder to the increased average in the number of tons carried per car. This shows not only the advantage derived from the use of larger cars and more powerful engines, but that our officers must have paid great attention to the loading of the cars. The average cost for fuel for locomotives, which is the most important item under the head of conducting transportation, showed an increase of 4%, but notwithstanding the increase in the price, a saving of £14,607 has been effected in the total, owing to the reduced train mileage. These satisfactory results amply justify the policy we have been steadily pursuing of freely applying our resources in prosperous times on the improvement of permanent way and rolling stock.

But these economies could not have been so largely effected without the intelligence and energy which our officers brought to bear upon their work. Another considerable reduction appears under the head of conducting transportation in respect of the balance of car mileage, which shows a decrease of £13,731, equal to 37%. This is the balance paid to private owners and other companies for their cars running over our line in excess of the amount received from other companies for our cars running over their lines. A useful reform has just been effected by the various railway companies, acting in combination, with reference to the movement of the cars of the companies when travelling over the lines of other companies. Under the system in operation prior to July 1 last, railway companies were allowed three-fifths of a cent a mile on cars run loaded or empty while upon the lines of other companies, but they received no compensation whatever when the cars were delayed, and it very frequently happened that, when cars were delivered to our connections instead of the contents being unloaded and warehoused, or otherwise disposed of, they have been allowed to stand as long as two or three months, and sometimes, in extreme cases, as long as six months, the cars being practically used as warehouses, for which we received no compensation, at a time, too, when our own traffic was suffering from scarcity of cars. Under that system there was no inducement to the foreign companies to return our cars; on the contrary, there was every inducement for them to keep them. Cars of the G.T.R. would go wandering all over the west and south of America, and it has been the habit of some of the larger companies to employ inspectors to go all over the country and hunt up and bring back their cars, which had been lost perhaps for months and months. There have been many attempts to bring about a change in the system, but up to recently without result, owing to the opposition of the lines which only carried the traffic for a short distance, having perhaps insufficient equipment and inadequate warehouse accommodation, but the scarcity of cars, brought about by the prosperity of the country for the last two or three years, has emphasized the necessity for a change, and finally a scheme, known as the "Per Diem" system, has been adopted by the American Railway Association, and came into operation on July 1 last. Under the new system the mileage rate as between railway companies has been abolished, and a fixed rate of 20c. a day, whether the car is moved or not, substituted, to be increased to \$1 a day when the car is detained for more than 30 days. It is thought that the new system will be of great benefit to lines like the G.T.R. having a large equipment, not only in the reduction of the amount paid to other companies, but also by insuring the prompt return of cars, and so enabling the Co. to have more cars available for traffic requirements in times of pressure. We are advised that the alteration has already had this effect during the three months it has been in operation. The balance from revenue to net revenue account showed an increase of £30,406; net revenue charges increased by £3,917, but the payments under the agreements with the G.T. Western and the Detroit, Grand Haven and Milwaukee companies were less by £9,685, so that the actual net revenue charges were reduced by £5,768. I cannot mention the G.T. Western Co. without again congratulating the shareholders upon the reorganization of that Co.—the old Chicago and G.T. Co.—which took place two or three years ago. The result has been the disappearance of the payments under the traffic agreements which used to weigh upon us so disastrously in past years, and there is now no charge whatever against us in connection with the G.T. Western. The credits to net revenue account increased by £16,964,

the result being that the amount available for dividend out of the working for the $\frac{1}{2}$ year was increased by £53,138.

The expenditure on capital account, apart from the charge for the acquisition of outstanding securities, has only amounted to £40,868, which was reduced by the premium on debenture stock sold during the $\frac{1}{2}$ year to £24,308. We continue to be careful to keep the expenditure on capital account at the lowest possible point. The expenditure has been mainly in connection with the doubling of the track between Montreal and Toronto, and Hamilton and Niagara Falls. There is a small amount of £2,735 charged to capital account for air brakes and automatic couplings, with which we were obliged to equip our rolling stock under the American law, but that item will disappear from our accounts in the future, as the work is now practically completed. Then there is a small charge under the head of new works of £2,618 in respect of the new general offices at Montreal. That is also a charge which will not return, for the building is now completed and the staff entered into occupation on June 1 last, and the change has been found of great convenience to the Co. We have charged one-half of the cost of the building to revenue and one-half to capital, but the annual charge to revenue in respect of the capital outlay will be very small, in consequence of the saving which will be effected by the concentration in the new building of outlying offices. During the $\frac{1}{2}$ year we expended on capital account £30,968 on double track and improved gradients. At the last meeting I explained to you the position of our line as regards double track, and informed you that it was intended to proceed at once with the completion of the doubling of the line between Montreal and Toronto, in which there was still a break between Whitby and Port Hope, about 33 miles. That work has been put in hand, but, owing to wet weather and the difficulty of obtaining labor, we have not been able to make the progress we expected. It is, however, hoped that with favorable weather we shall complete this year about 8 miles from Whitby, eastward, and the remaining 25 miles will, no doubt, be available for traffic in the course of next year. The doubling of the line between Hamilton and Niagara Falls is practically finished as far as grading is concerned, but, owing to the difficulty of obtaining delivery of material for certain bridges, the completion of this work will be somewhat delayed. Our receipts on capital account have been increased by the issue of £414,003 of 4% debenture stock. That issue is not really any addition to capital, but is on account of the £500,000 of 4% debenture stock required to be issued for the purpose of providing for the repayment of bonds bearing a higher rate of interest. £522,200 of Northern Ry. 5% 1st mortgage bonds became due July 1, the interest on which was £26,110 a year, and as the annual interest on the £500,000 of 4% debenture stock only amounts to £20,000, a saving of annual interest of over £6,000 a year has resulted from that transaction.

An interesting discussion has taken place lately in the press as to the apportionment by railway companies of expenditure as between capital and revenue, and as to the relative merits of American and British railway finance. I am not prepared to take a hand in the controversy, because I consider it is impossible to dogmatise upon the question or to lay down any fixed and immutable rules. What I hold is that those who are responsible for the finance of a railway company must be guided by the peculiar circumstances of their own company, the condition of the times, and also by a general consideration of the interests of their proprietors in the future as well as in the present. And when I speak of the future I have observed that certain writers in the course of this controversy