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SECOND
ANNUAL REPORT

OF THE

BROCKVILLE AND OTTAWA

RAILWAY COMPANY,

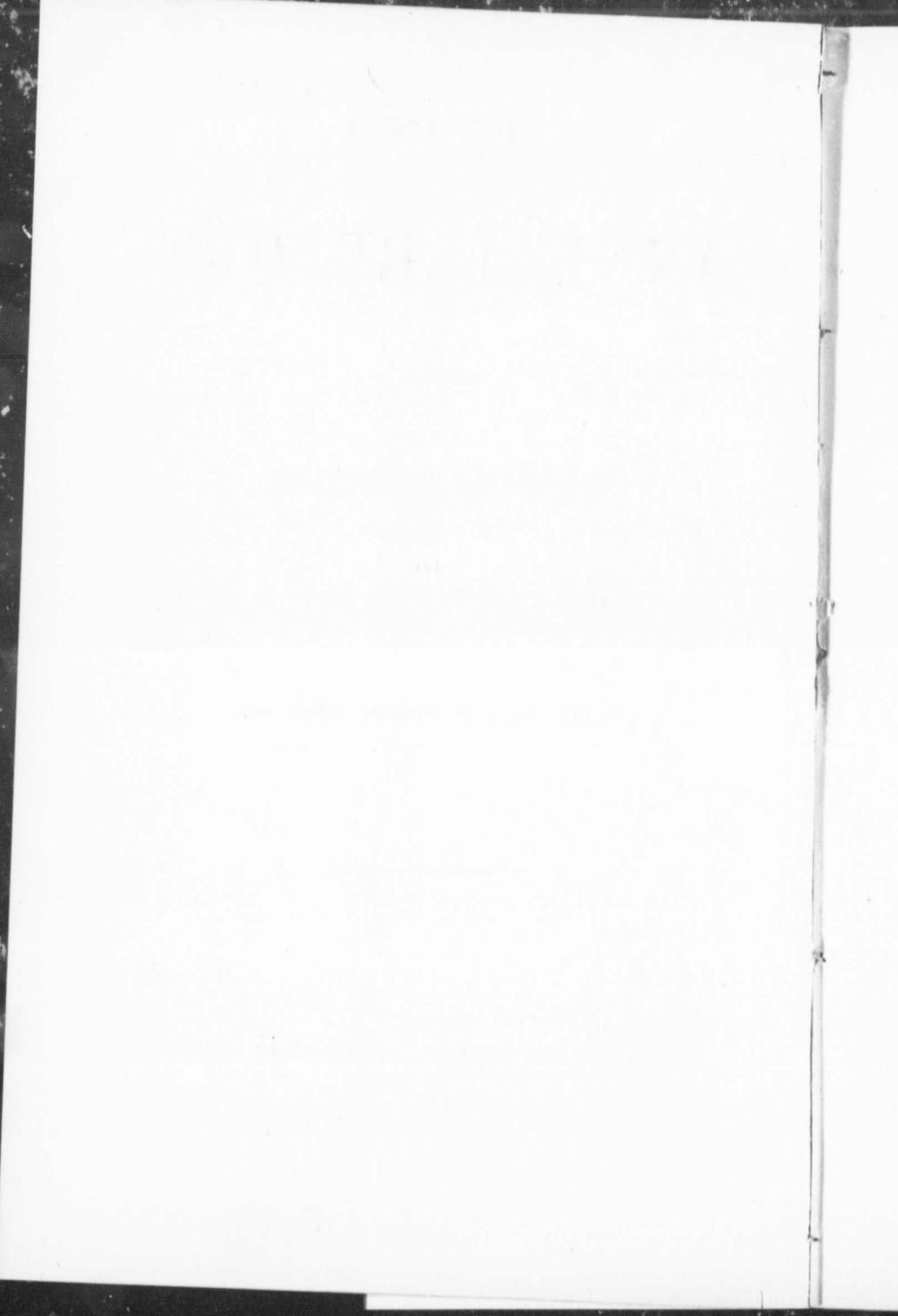
FOR THE YEAR ENDING 31st DECEMBER, 1865.



Montreal:

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1866.



Brockville and Ottawa Railway Company.

Head Office, Brockville, Canada West.

Officers:

President.

JOHN G. RICHARDSON, BROCKVILLE AND NEW YORK.

Vice President and Managing Director.

RICHARD P. COOKE, BROCKVILLE.

Secretary and Treasurer.

THOMAS P. FRENCH, BROCKVILLE.

Auditor.

WILLIAM R. WORSLEY, BROCKVILLE.

Directors.

ALEXANDER MORRIS, Esq., M.P.P., PERTH, C. W.

HARRY ABBOTT, Esq., MONTREAL, C. E.

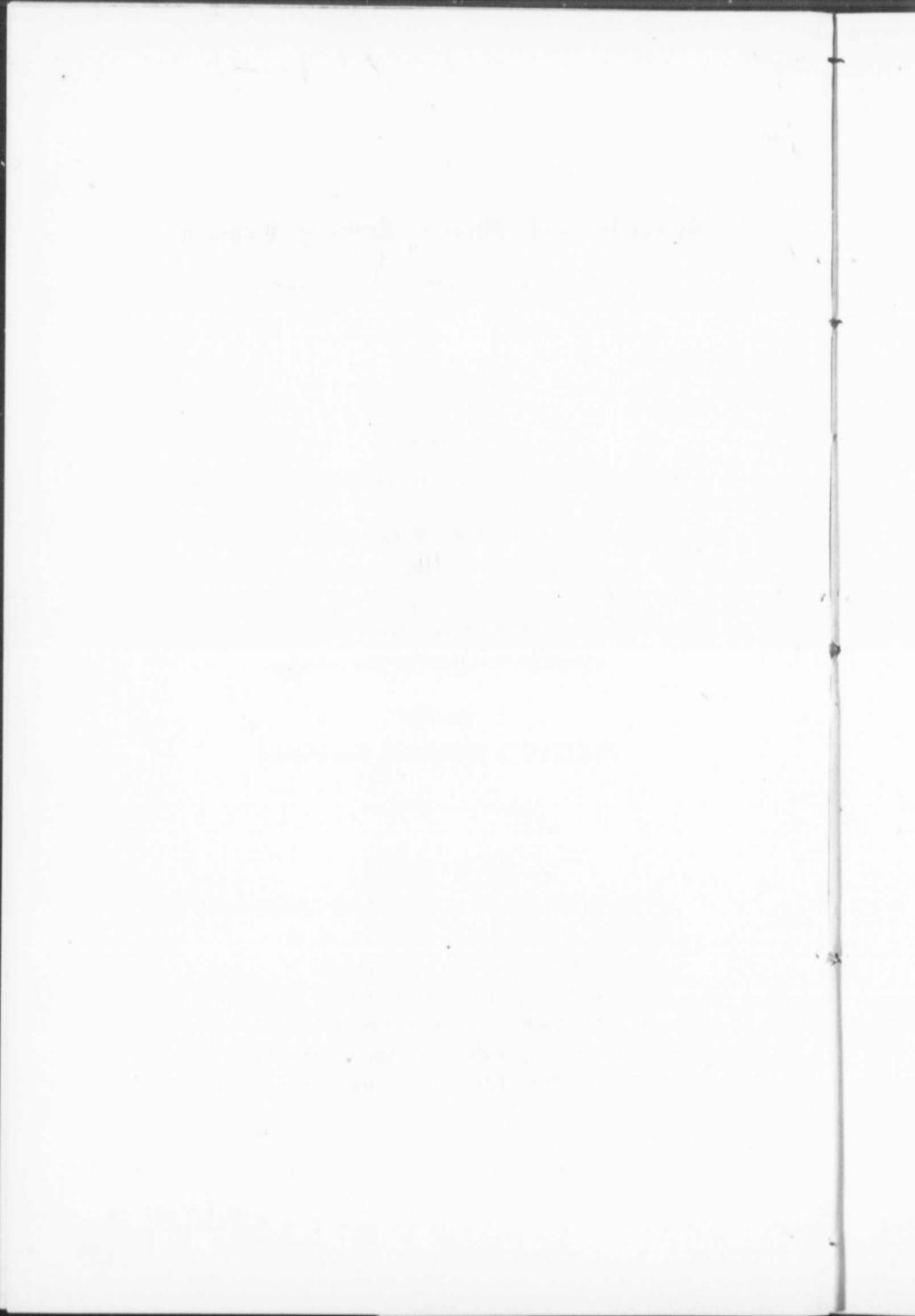
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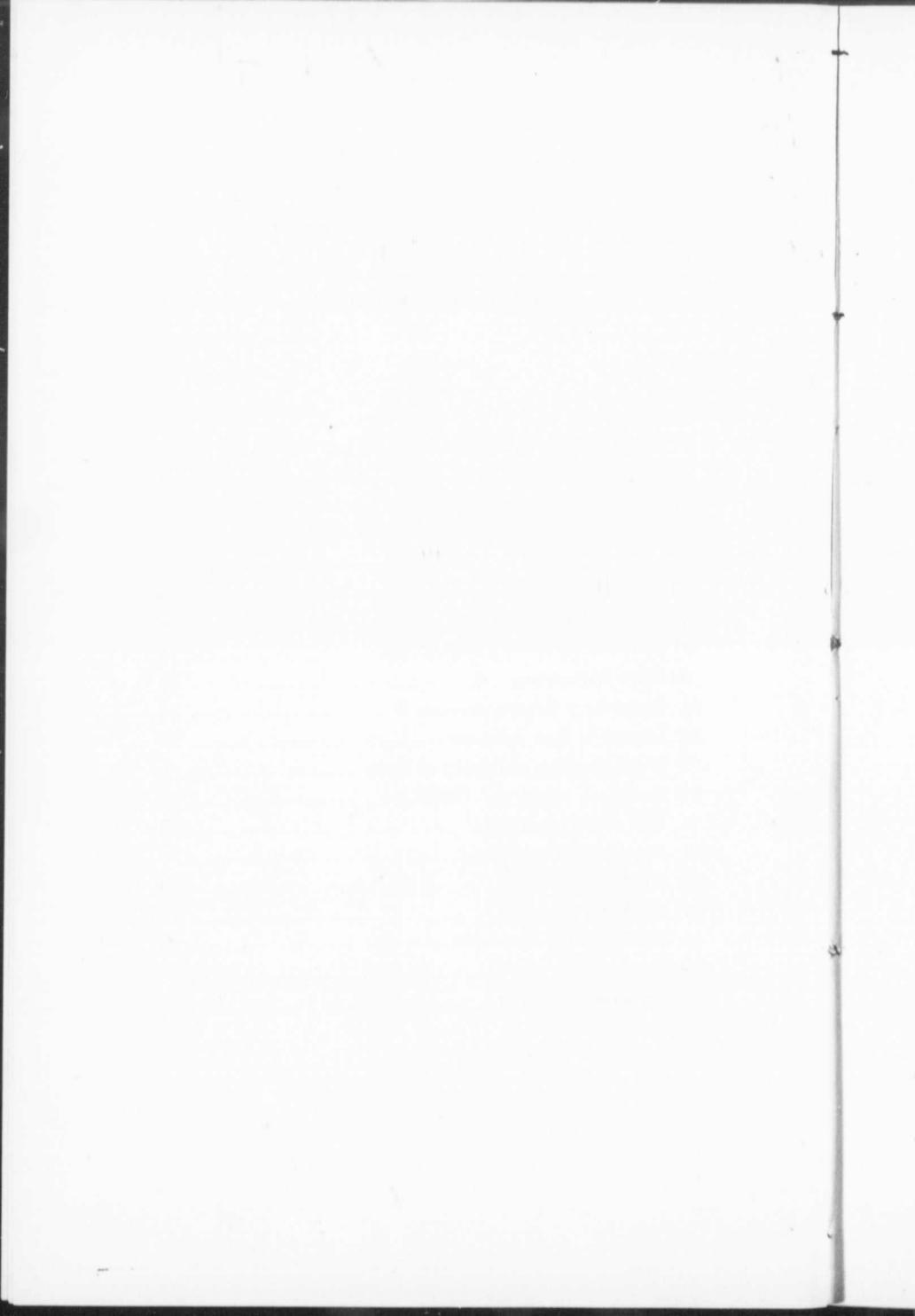
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STATEMENT No. 1.

CHARACTERISTICS OF THE BROCKVILLE AND OTTAWA RAILWAY.

THE Company's Charter grants the right to build a Railway from the Town of Brockville, on the St. Lawrence, to the Village of Pembroke, on the Ottawa, with a Branch Line from Smith's Falls (where it intersects the Rideau Canal) to the Town of Perth. The distance from Brockville to Pembroke is (in round numbers) 130 miles, and from Smith's Falls to Perth 12 miles—thus the entire length of the line, when completed, will be 142 miles. At present (31st December, 1865,) the Main Line is only open from Brockville to Sand Point, a Village on the Ottawa River, about 45 miles above the City of Ottawa. The Branch Line from Smith's Falls to Perth is also open.

1864.		1865.
84.07	The total length of Line and Sidings is.....	90 miles.
STATION ACCOMMODATION.		
4.14	Engine Sheds	4 = 15 stalls.
10	Passenger and Freight Sheds.....	11
	Wood Sheds.....	8
8	Tanks.....	9
	Turntables.....	4
ROLLING STOCK.		
4	Engines	6
	Passenger Cars.....	5
	Baggage Cars.....	2
7	Box and Cattle Cars	17
70	Platform "	71

1864.	1865.
AVERAGE NUMBER OF EMPLOYÉS.	
	Head Office 4 Traffic Department..... 27 Locomotive " 25 Maintenance " 52 ----- -108
	The average width of Cuttings at sub-grade is..... 22 feet. " " Embankments " 18 " " amount of Ballast, per mile..... 2500 cubic yards. Number of Ties, " 2200 Weight of iron, 75 lbs., 60 lbs., and 58 lbs Miles of Track ballasted,..... 88.05.
74.05	
MACHINE SHOP.	
1 Stationary Engine and Boiler of 10-horse power, nominal.	
IRON-WORKING MACHINERY.	
1 Engine Lathe. 1 Axle " 1 Car-wheel Borer. 1 Wheel Press.	1 Screw-bolt Cutter. 1 Iron Planer. 1 Upright Drill.
WOOD WORKING MACHINERY.	
1 Daniel's Planer. 1 Planer and Matcher. 1 Tenoning Machine. 1 Mortising do. 1 Scroll Saw.	1 Cross-cut Saw. 1 Ripping Saw. 1 Cordwood Saw. 1 Small Lathe.
SHAFTING, BELTING, &c., complete.	

STATEMENT No. 2.

GENERAL STATEMENT OF REVENUE ACCOUNT, 1865.

	\$ cts.		\$ cts.
Cash on hand 1st Jan'y.	3,332 58	Operating Expenses (Abstract B). Renewals, and other expenses for the year (Abstract C).....	56,659 74 9,155 28
Gross Receipts (Abstract A)....	86,575 06	Payments on account of Interest (Abstract D)..... ..	15,067 56
	\$89,907 64	Balance, being Cash on hand.....	9,025 06
			\$89,907 64

STATEMENT No. 3.

BALANCE SHEET, showing entire Assets and Liabilities of the Company, on Old Account, as per General Ledger.

Dr.

Cr.

	\$	cts.	\$	cts.		\$	cts.	\$	cts.	
To MUNICIPAL LOAN FUND—					By Construction Account.....			2,355,003	36	
Lanark and Renfrew	800,000	00			Sundries; Open Accounts	5,765	95			
Town of Brockville.....	414,491	95			Int. E. Town.....		2,679	12		
Elizabethtown	150,709	50		1,965,201				8,445	07	
									9,025	06
PAID UP STOCK, viz. :—					Cash on hand				5,362	10
Amount paid up in cash	11,902	12		177,454	Wood				1,407	00
Do. issued in settlement of					Stores				6,412	49
Contracts.....	165,552	17			Post Office Subsidy.....				1,440	32
					Extension Account to date				243,047	94
Sundry open Accounts.....	54,467	80		100,930	Profit and Loss, Extension.....				1,899	10
Sykes de Bergue & Co.....	46,258	65			Do.				525,192	02
Bolckow & Vaughan.....	294	35								
Balance due on Outstations.....				18						
COMPANY'S BONDS ISSUED—										
Previous to the Act of re-organ-										
ization.....	711,019	97		1,091,285						
Since	380,265	80								
INTEREST—										
Balance due on Pref. Ex. Bonds										
to date.....	1,347	75		177,397						
Lanark and Renfrew	26,049	32								
On Outstanding Bonds, &c.....	150,000	00								
PREFERENTIAL EXTENSION										
BONDS.....				244,793						
Balance due on Advances, on which										
Bonds are to be issued				153						
				\$ 3,157,234				\$ 3,157,234		46

E. & O. E.

STATEMENT NO. 4.

EXTENSION ACCOUNT.

<i>Dr.</i>	
To Preferential Extension Bonds, 1 @ 503, @ £100 stg., each....	\$244,793.94
“ Balance due on Cash Advances on which Bonds are yet to be issued	153.10
	<u>\$244,947.04</u>
<i>Cr.</i>	
By amount in hands of Managing Director, to be accounted for by him, (Abstract G).....	\$243,047.94
Profit and Loss, Extension, Exchange, Stamps, &c.....	1,899.10
	<u>\$244,947.04</u>

STATEMENT NO. 5.

The following is an approximate estimate of cost of,	
1st,—Completing Road to Sand Point, including Wharfage, Bal- lasting, additional Sidings, Boarding up Bridges, &c., &c.	\$7,000.00
2nd,—Materials and Labor to complete a Snow Plow and 18 New Cars, being the balance of the 30 originally intended to be built.....	6,000.00
3rd,—Land Claims still unsettled, between Almonte and Sand Point	2,500.00
4th,—Driving Wheel Lathe for Shop.....	2,500.00
	<u>\$18,000.00</u>
	Add outlay to date, ..236,987.61
	<u>Total Cost, \$254,987.61</u>

STATEMENT NO. 6.

LOCOMOTIVE AND CAR STATISTICS.

1865.	
Total Engine Mileage for the year	101,000
" Car " " "	648,000
" Cost of running and repairing Locomotives....	\$11,056.80
" " " " Cars.....	2,966.37
Average Cost of Locomotive power per mile	10 cts. 94 Mills
" " Car repairs, &c.....	47
" Total Cost per Car hauled one mile	11 41
" Number of miles run to one cord of wood....	42.8 Mills.

DETAILS OF EXPENDITURE.

LOCOMOTIVES.		
Wood used,.....	2350 Cords at \$1.75	\$4,112.50
Oil (fine).....	326 gals. " 1.00	326.00
" (Common).....	493 " " 40	197.20
" (Coal).....	55 " " 60	33.00
Waste and Rags		42.00
Packing, &c.,.....	30 lbs. at \$1.00	30.00
Wages for Repairs in Shop		2,064.08
Materials " "		130.00
Repairs done elsewhere.....		278.96
Wages of Engine Drivers and Firemen,.....		3,843.06
		<u>\$11,056.80</u>
CARS.		
Oil for lubricating....	900 gals. at 40c.	\$360.00
Waste and Rags.....		50.00
Wages for repairs in Shop.....		1,538.37
Materials for Repairs.....		1,018.00....2,966.37
		<u>\$14,023.17</u>

ABSTRACT A.

DETAILS OF SOURCES OF REVENUE.

1864.	Passengers North	19,679		1865.
	" South	20,066		
\$ cts.		<u>39,763</u>		\$ cts.
26,383.15			Amount..	<u>35,840.19</u>
26.04	Average distance travelled by each 30 miles			
0.77	" receipts from each..... 90c.			
	Freight, viz :			
11,219.40	Lumber.....	\$14,756.73		
1,453.80	Cattle.....	2,767.75		
1,978.11	Grain and Flour.....	3,786.08		
	Butter and Provisions.....	2,267.87		
362.80	Pork	903.49		
19,379.30	General Merchandize.....	<u>22,384.11</u>		
34,393.41			Total..	46,866.03
2,316.99	Mails and Express.....		1,976.00	
3,187.32	Wood Sold.....		363.09	
601.87	Wharfage and Storage.....		258.36	
	Steamer's Freight.....		354.08	
439.82	Interest and Discount on Silver.....		525.44	
1,114.56	Rents and Sundries.....		<u>391.87</u>	
<u>68,437.12</u>				<u>\$86,575.06</u>
	Number of Tons North.....	8,391		
	" " South.....	<u>20,454</u>		
26,320		Total.....	<u>28,845 Tons.</u>	
1.30	Average receipts per Ton.....\$1.62			

ABSTRACT B.

DETAILS OF OPERATING EXPENSES.

1864.	1865.	1865.
\$4,544.11	General Superintendence and Directors' Allowances..	\$6,368.72
6,980.65	Agents, Porters, Switchmen, etc.....	7,563.64
6,149.90	Engine Drivers, Firemen, Conductors and Brakesmen..	6,273.66
	Boat Hands	302.48
3,701.80	Mechanics, and Repairs to Engines and Cars.....	4,700.20
10,422.74	Maintenance of Way, Bridges, and Buildings.....	14,718.38
4,324.30	Wood (Abstract E.).....	8,971.23
2,370.89	Materials and Supplies for Shop.....	3,968.95
1,194.17	Oil and Waste.....	1,142.98
2,353.64	Office Expenses, Stationery, Printing, and Advertising,	1,163.67
599.77	Damages, Losses, and Overcharges.....	676.00
452.00	Car Hire G.T.R.....	271.00
525.43	Incidental.....	354.67
275.00	Legal Expenses.....	184.16
	Total Operating Expenses.....	<u>\$56,659.74</u>

ABSTRACT C.

DETAILS OF RENEWALS AND OTHER EXPENSES, NOT INCLUDED
UNDER THE DENOMINATION OF "OPERATING EXPENSES."

 1865.

New Ties	\$3,151.61
New Fences.....	367.62
Rents and Taxes.....	625.09
Insurance.....	348.12
Land Claims.....	1,882.72
Taggart, Amount of Note.....	75.90
Mr. Plimsoll, Balance of Account for Auditing.....	350.00
Law and Parliamentary Expenses, getting Extension of Time- Act; Preparing Agreement with Municipalities, etc.; Preparing Mortgage, etc.....	612.92
Repayment of Judgment, Gillen vs. Bolckow, for Profes- sional Services, rendered Messrs. Sherwood and Watson in London	761.64
New Tail Ropes for Engines.....	80.95
" Furniture for Offices.....	31.50
" Plank Walk, and Siding at Smith's Falls.....	120.90
" Lamps for Cars, and Trackmen.....	189.78
Pair of Horses for Wood Cutting Machine.....	101.00
Repayment of Fares to Members of Counties Council.....	66.60
Alexander, Reward for evidence against man for throwing stones at the Train.....	100.00
Incidental Expenses.....	38.93
Moving Tank at Almonte.....	250.00
	<hr/>
	<u>\$9,155.28</u>

ABSTRACT D.

PAYMENTS ON INTEREST ACCOUNT.

1865.	
Paid Municipality of Elizabethtown, on account	\$679.12
" Interest on Extension Bonds	4,731.03
" " " " "	3,586.31
" " " " "	6,071.10
	\$15,067.56

ABSTRACT E.

CORDWOOD ACCOUNT.

1865.		
	Cords.	Cost.
On hand, 1st January	1377	\$1,583.45
Purchased during the year	6680	8,971.23
Total	8057	\$10,554.68
On hand, 31st December	4946	5,362.10
Actual Cost of Wood used and sold during the year	3111	\$5,192.58

Cost of Loading, Unloading and Cutting, exclusive of Engine Power or help given by Section Men, was about 50c. per Cord.

ABSTRACT F.

PROFIT AND LOSS ACCOUNT.

DR.	
To Balance of this account at 31st December, 1864.....	\$271,359.47
" 50 per cent. Discount on 101 Bonds of £100 Stg. each.....	24,576.67
" Cash difference between Par and Rate of Exchange on Remittance of Interest, December, 1865.....	41.29
" Bellamy Station, the amount to Dr. of this account incorrectly retained	7.95
" Interest account: Balance thereof on Year ending December, 1865.....	\$107,812.10
" Less paid on account of revenue.....	15,184.79
	92,627.31
" Interest estimated to be yet due on Bonds, Coupons, and Old Accounts, to December, 1865.....	150,000.00
	\$538,612.69
CR.	
By Thos. Overend, balance.....	\$2.37
" Gordon & Loomis.....	69.87
" Franktown.....	2.96
" Bills Payable.....	690.00
" Revenue Account.....	12,655.47
	\$13,420.67
To debit of profit and loss.....	\$525,192.02
E. & O. E.	

ABSTRACT G.

EXTENSION ACCOUNT.

ITEMS OF EXPENDITURE.	1864.	1865.	Total.
Grading and Ditching.....	\$14,962 53	\$10,129 50	\$25,092 03
Bridges and Culverts.....	24,452 47	8,108 21	32,558 68
Track-laying, Ballasting and Fencing..	8,077 74	25,440 18	33,517 92
Station Works, Buildings and Grounds	2,390 94	10,084 48	12,475 42
Rails, Chairs, Spikes, and Ties.....	45,985 89	20,991 84	66,977 73
Tools, Machinery, and Shop Fittings..	1,354 49	8,431 95	9,786 44
Right of Way and Land Damages.....	4,053 00	867 75	4,920 75
Office Furniture, and Tank Fittings....	.....	261 63	261 63
Rolling Stock.....	.....	32,749 77	32,749 77
Small Steamer.....	.....	2,912 92	2,912 92
Wharfage at Sand Point.....	.....	5,000 00	5,000 00
General Management and Engineering.	7,770 80	2,963 52	10,734 32
Total Outlay to 31st December, 1865..	\$109,047 86	\$127,939 75	\$236,987 61
Cash on hand in Bank to balance.....	.....	.....	6,060 33
Total amt received, per statement No. 4	.....	.....	\$243,047 94

REPORT.

TO THE BONDHOLDERS AND STOCKHOLDERS OF
THE BROCKVILLE AND OTTAWA RAILWAY
COMPANY.

THE BOARD OF DIRECTORS SUBMIT HEREWITH THEIR SECOND
ANNUAL REPORT, COMPRISING DETAILED STATEMENTS OF
THE OPERATIONS OF THE ROAD FOR THE YEAR 1865.

STATEMENT NO. 1.

CHARACTERISTICS OF THE RAILWAY.

1. The road being now completed to Sand Point, the total length of line and sidings is ninety miles against eighty-four miles in 1864. The machine shop has been fitted up and stocked sufficiently for present purposes, with the exception of a Driving Wheel Lathe, which is ordered. The machinery in use has been carefully selected from the latest patented improvements. Ten new box Freight Cars of improved pattern and excellent construction, and one Platform Car, are finished, and material for nineteen more being on hand, they will be turned out as rapidly as our force will permit. Two new locomotives of 30 tons each have been purchased

at favourable rates, being \$2,500.00 each under present prices. They have been five months delivered and at work. The rails prove the excellence of their make by their continued lasting qualities, and that the condition of the roadway is satisfactorily maintained, is shown by the fact, that not a single wheel has been off the rails during the past year. The average force of men employed is thirty more than in 1864. Trains have been run with regularity and safety. There have been no accidents on the line with the exception of one man who was unfortunately killed by his own heedlessness. The verdict of the Jury entirely exonerated the Company. Locomotives and Cars have been kept in good order, the only mishap being, breaking of crank shaft (inside connection) of No. 2 Engine. It is being repaired in Kingston. This extra expense will be avoided after the new lathe is received. All bridges are now in good order. New stringers have been put in most of the open culverts and cattle guards. 17,435 new ties have been put in. A new siding has been put in at Pike Falls, and a fair amount of lumber is expected from thence the coming season. New public plank walk to Smith's Falls Station, and plank road for teaming lumber at Perth have been built. Alterations of tank at Almonte, and of pipes at Brockville have been made to improve water supply. A horse power wood cutting machine has been started, and further expense of hand cutting at stations is avoided. Pumping and sawing are by steam at Brockville.

STATEMENT NO. 2.

REVENUE ACCOUNT.

2. The total receipts in 1865 from all sources as per cash book, amount to.....	\$108,091.56
Deduct back charges to other roads.....	18,183.92
	<u>\$ 89,907.64</u>

The total expenditure of all kinds in 1865 as per cash book, and for which vouchers are on file....	\$99,096.50
Deduct back charges as above....	18,183.92
	<u>80,882.58</u>
Balance of cash on hand 31st Dec..	<u>\$9,025.06</u>

Of the above expenditure of \$80,882.58, only \$56,659.74 are properly chargeable to "Operating Expenses," and the following table shows the percentage of such expenses to earnings since the year 1860 inclusive.

3	1860.		1861.		1862.		1863.		1864.		1865.	
	\$	c.	\$	c.	\$	c.	\$	c.	\$	c.	\$	c.
Revenue	53,801.10		54,558.04		57,772.84		59,339.09		68,437.12		86,575.06	
Expenditure	34,427.25		36,271.48		38,340.71		44,905.45		44,850.09		56,659.74	
Balance	19,373.85		18,286.56		19,432.13		14,433.64		23,587.03		29,915.32	
Per Cent	64		66		66		75		65½		65¼	

This percentage should be considered favorable in the view that our expenditure has been immediate to maintain and operate increased mileage, machine shops, &c., while there has not yet

been time, since opening through in September last, to develop commensurate returns. It follows that we are prepared to handle an important increase of revenue with, comparatively, an unimportant addition to the percentage of expenses. From the foregoing table it also appears, that the increase of earnings in 1865, was \$18,137.94, against \$9,098.03 in 1864, or nearly double. The increase of the two years 1864-5, amounts to \$27,235.97, being nearly 46 per cent of the entire income of 1863.

4. The details of Revenue are given in Abstract A. The total number of passengers carried was 39,763, against 34,194 in 1864; and they paid \$35,840.19, against \$26,383.15 in 1864, an increase of nearly 36 per cent. The average paid by each passenger was 90 cents in 1865, against 77 cents in 1864.

5. The total tonnage of Freight carried was 28,845 tons, against 26,320 tons in 1864, and it paid \$46,866.03 in 1865, against \$34,393.41 in 1864, an increase of 36½ per cent. The average paid on each ton of freight was \$1.62 in 1865, against \$1.30 in 1864. This improvement should be deemed satisfactory, in view of the recent opening of the road, already stated, and of the fact that our facilities for a river connection were of the most impromptu character, owing to our disappointment in making a fair working arrangement with the "Union Forwarding Company." The increase in lumber does not at all show what we may confidently anticipate, unless foreign prohibitory enactments should interfere adversely. The lumber trade has been unusually depressed during the past year, owing principally to overstocked markets; but with renewed activity therein, we might expect to more than double our returns from Arnprior alone, from which, and the section above, we have as yet received nothing. Mr. McLauchlin's large mills are nearly ready to commence sawing, and he is now constructing the siding to join our road. The returns from cattle and grain are nearly double. The former have been entirely exported, the latter principally imported. The importing to the U. S. of horned cattle being now specially and entirely prohibited, that source of revenue may be considered closed for some time to come. "Mails and Express" being \$440.99 less this year than in 1864, is

caused by our being only paid up to 30th June of this year, instead of 31st December, as in 1864, owing to the Postal Commission being in session, in the interim, to determine on the new rates. These are now advised to be six cents per train mile each way for mixed trains, of speed not exceeding 15 miles per hour. On this basis our account for the last half of 1865, amounting to \$1,511.16, has been calculated and sent in, which, when paid, will make the difference \$1,170.17 in favor of 1865.

6. Under the head of present "Revenue," may be appropriately considered, the question of future earnings. In order to stimulate and encourage travel and traffic as much as possible, our tariff-rates have been arranged with the view to realize only a fair working profit upon the business done, and it is difficult to see where any present reduction could be advantageously made. Neither is it deemed expedient to advance our rates in the present undeveloped condition of the country from which our Revenue is chiefly derived.

During the past year the condition of this section of the country has been unusually prosperous. Although in certain limited localities the harvest has been deficient, owing to the severe summer drought, yet in general, it has been abundant. For this abundance an eager market has been found in the U.S., at very remunerative prices. All the lumber, live stock, butter, eggs, &c., carried over this road have, with barely an exception, passed to the U. S. It therefore becomes impossible to regard otherwise than with anxiety and regret, the fact, that the 17th March next will terminate the Reciprocity Treaty, which has worked with so much benefit throughout this portion of Canada. However legitimate our hopes may be that some equitable compromise may be reached, by which may be averted the heavy loss which must otherwise ensue to a large industry on both sides, there is too much reason to fear that the initiatory action of the U. S. Government will be to impose duties, in general, prohibitory. With this prospect before us, it becomes difficult, however desirable, to indulge sanguine anticipations respecting the business and revenue of 1866. Fortunately our staple, lumber, can be less readily dispensed with than

our other products, hence it is hoped lumber may escape the imposition of prohibitory duties, and trade therein be prosecuted with activity and advantage.

7. The business and revenue of this road, as it now stands, will be ever primarily dependent upon a close river connection with the upper Ottawa districts ; until such connection be perfected they must remain only partially developed. Negotiations are now pending which it is hoped may result satisfactorily in this respect. It is a suggestive fact, that the small steamer sent from here over the rails, and launched at Sand Point in September last, has more than paid her way, though compelled by diminutive size to work at the greatest disadvantage. Unable to carry freight, she had to tow it in a barge. Heavy freight she had to lose from absence of adequate handling facilities, and she dare not carry a *single passenger* because unable to comply with the requirements of the Steamboat Act. Hence there is no doubt, a steamer of sufficient size and power, in connection with this road, would prove a success.

8. The details of "Operating Expenses" are given in Abstract B. In the increased "General Superintendence" are included \$400, allowed by the Board to the Hon. George Sherwood as President in 1864, and therefore more correctly belonging to that year ; also \$230.13 charged by and paid to same for balance of salary from 1st January, to 12th February, 1864: the date at which the Board passed the resolution that his compensation should be determined at the end of the year ; also \$333.33 salary paid to the retiring Secretary, Mr. French.

"Wages," for obvious reasons, are increased in amount, but are actually lower in proportion to the nature and additional number of the force employed. For the same reasons of increased mileage, &c., "Maintenance of Way" must show increase ; but the apparent disproportion is accounted for by the cost of extra repairs to the bridge at Smith's Falls, and tunnel-wall at Brockville, both of these having been in a dangerous condition, now remedied. The apparent great increase in expense for wood is accounted for partly by the extra consumption by additional engine, train, and station service, arising from greater mileage, also by the much

larger stock of wood on hand, being 4946 cords in 1865, against 1377 cords in 1864, per Abstract E. "Oil and Waste" show a slight decrease in spite of additional service now required. "Stationery and Printing" are less than half the amount of 1864. "Damages" have been raised \$290.98 extra, by loss of a case of cloth of this value. No trace of this has yet been discovered. Owing to the unprecedented drought last summer, the woods caught fire, large tracts of land were thus overrun, and on this road at least four miles of fencing were entirely consumed, thus increasing our injuries to cattle and cost of renewals. Car hire is reduced nearly one half by our own increased strength in this branch.

9. The details of Expenditure, other than for "Operating Expenses," are given in Abstract C. The road having been in operation since 1857, a large and increasing expenditure for renewals has to be met by the present and prospective managements, from which the past escaped. These items for renewals, and also for Parliamentary and Auditing expenses, involved by the disorganized condition of the Company's affairs, cannot be correctly regarded as "operating expenses," and the usual practice is followed in excluding them therefrom.

10. The details of expenditure on interest Account, are given in Abstract D. The first item, \$679.12, was paid to Elizabethtown out of surplus earnings and as equal to one-fifteenth part of the amount already paid by this Township to Government under the 5 cents in the dollar Act, in the same manner as \$2,616.50 were paid to Lanark and Renfrew in Dec. 1864, from same surplus, and in similar proportion. As it was imperative that a certain amount of surplus should be retained to meet outstanding contracts, and contingencies, the exact sum of one-fifteenth was taken, because it most nearly approached the utmost amount of surplus the Company could spare, and because, by the agreement made with the Counties in 1863, the interest so paid by them to Government was to be thus repaid by the Company. The three last items, being for interest on Extension Bonds issued, have been paid in strict accordance with the aforesaid Agreement, by which the parties

advancing the capital necessary to extend the road to the Ottawa river, are admitted to priority in payment of interest on said Extension Bonds until 31st Dec. 1866.

11. From the balance of nett Revenue, \$9,025.06, the sum of \$1,347.75 has yet to be deducted and paid so soon as the account can be closed up. This amount being for interest on cash advances from 30th June to 31st Dec., on which Extension Bonds have not yet been issued.

12. Under the head of Expenditure, it may be stated that the strictest punctuality in payment of wages is observed. On the 20th and 21st of each month, the wages of the preceeding are paid in full, thereby creating greater confidence and tending to secure the services of superior employés. In the same manner "Supplies" are purchased on the most economical basis of cash payment, whereby are enjoyed the advantages of first class-credit and the cheapest market.

STATEMENT No. 3.

BALANCE SHEET, SHOWING ENTIRE ASSETS AND LIABILITIES OF
*THE COMPANY, ON OLD ACCOUNTS, AS PER GENERAL
 LEDGER.*

13. Thus far, in submitting to your consideration the transactions of the past year compared with those of its predecessors, the enumeration has been one of measurable success. The statement to which your attention is now directed is, in the highest degree, unsatisfactory; but as the present management is in no way responsible for this, it is hoped that no one of the proprietary or creditors may commit the error of attaching to it the stigma of a failure

which its sole business here is to remedy as much as possible. Any suggestions, therefore, now ventured upon, should be received as earnestly as they are made, and as expressing the sincere conviction of those to whom a majority in interest of yourselves has entrusted the exceedingly difficult task of reorganizing this Company's affairs. It should be distinctly understood by all interested, that the reorganization of this Company, by the Act of 1863, was simply one of *control*. So far as the Company's indebtedness is concerned, that Act left it *greater* than before by the authorized issue of £60,000 Stg., of Preference Bonds, and the funding, in 2nd Class Bonds, of the entire Floating Debt, principal and interest. The present funded debt is :

Preference Bonds.....	\$ 244,793.94
2nd Class Bonds.....	1,098,285.77
Unpaid Interest, say.....	150,000.00
	<hr/>
Total.....	\$1,486,079.71
While in 1863 the debt was :	
2nd Class Bonds.....	\$711,019.97
Unpaid Interest, say.....	100,000.00
	<hr/>
	811,019.97
	<hr/>
Increase.....	<u>\$675,059.74</u>

making the present funded debt nearly double what it was in 1863. This was, of course, foreseen at that time, but it could not be obviated, owing to the doubtful temper of Parliament, and still more, to the mutual suspicion and hostility existing among all parties in interest. A compromise, therefore, was accepted, whereby we have been able to control and advance the so-called physical condition and material interests of the road, while compelled to wait the gradual dawn when both creditors and Legislators must discover and supply the further need which is inevitable. That the affairs of this railway cannot be retrieved to solvency without a thorough financial re-organization, is as certain as, that now, it has

none. One glance at the general statement under review, with \$3,157,234.46 of debit, against only \$2,632,042.44 of credit, showing a debit to profit and loss of \$525,192.02, should at once impress the truth of this upon even the most skeptical. What is there in the past history of this road more than in that of over seventy-five per cent. of Canadian and U. S. railways, to justify such hopes? Far from possessing superior elements of soundness, the financial basis of its construction could hardly have been worse, yet other and better roads, far and near without number, have been thoroughly and successfully re-organized during the past five years, every one of which has but added more and more to our already disproportionate burden. As this railway stood prior to the Act of 1863—twenty-five miles short of its river terminus—half stocked—destitute of machine shops,—and therefore working at the maximum of expense, the question when it would become a “dead loss” to every *bona fide* interest concerned—rested solely upon the *time*, when Rails, Engines, &c., should wear out, and *heavy renewals* become imperative. The writer does not believe that such renewals could have been adequately met from the limited income which it had power to earn, and to suppose that any interest to Municipalities or Bondholders could *ever* have been paid, is simply preposterous. Far, therefore, from involving considerations of profit, the unwelcome problem which we were placed here to solve, was how to avoid a “*Total loss.*” The only means were by extension, to develop and increase earnings; and by such (necessarily) sweeping financial re-organization as would reduce interest payments within the earning power, and thus restore the road to solvency. The former has been accomplished as far as present means will permit, and its good effects are already shown in the preceding statements. The latter, and equally important element of future prosperity has yet to be secured. Seeing that the railway has been opened to the Ottawa river less than six months, it would be premature, under ordinary circumstances, to make the earnings of 1864 and 1865 the basis of formal estimates for a programme of financial re-organization. On the other hand, it must be considered possible that the imposition of prohibitory duties by

the U.S. may prevent any increase of income in the current year, because Canada could not *at once* supply the loss of the best and most natural market, for the greatest and most productive portion of her territory, by the immediate substitution of other channels of Trade and Commerce. Moreover, estimates are as unnecessary as premature, for the reason that the re-organization to be effectual, must reach the "*root of the evil*," namely: the accumulating interest, under the overwhelming burden of which the road cannot stand. It is, therefore, most respectfully and earnestly suggested that a plan substantially as follows be adopted without delay :

14. 1st—As parties in interest are locally so far separated, let Bondholders, &c., in England meet, or otherwise communicate, and empower an Agent here to act in their behalf.

2nd.—Let interested parties on this side do the same.

3rd—Let these Agents promptly meet, and if necessary, appoint a third, and with competent professional assistance to ensure all legal provisions, let these at once prepare a plan of financial re-organization, sufficient for the case.

4th.—Let this plan be submitted to parties in interest on both sides, for approval.

5th.—If approved, let the earliest application be made to the Provincial Parliament to have the same legalized.

15. As to what should be the *nature* of the plan, having ever in view the utter disproportion of present or prospective earnings, to meet the prior Municipal and Preference claims, besides the interest on 2nd Class Bonds with their huge accumulated and accumulating arrears, it is impossible to honestly recommend anything short of a *liberal extinguishment*, and entire conversion into *stock* of the remainder. This plan was proposed by the writer in 1863, but could not then, as already explained, be effected. Since then, a closer connection with the railway has only confirmed his belief that no other mode will prove radically effectual. No sane man should hesitate in the choice between £100 nominal, or £10 of real value ; neither should he hesitate to change the name of Bond for Stock, if thereby he can disembarass his *security*, and legally command *all* surplus remaining after due payment of the existing priorities.

It was hoped that the concluding remarks of the writer's report for 1864, would have directed competent attention to the necessity of a financial re-organization. As delay can only aggravate the evil, another year should not pass without its being firmly met and overcome. Once accomplished as it should be, it will prove the turn of the tide for the B. & O.R.R Company.

16. The strongest corroboration of the foregoing remarks will be found in the following extracts from a letter addressed to the writer, by Mr. Plimsoll, one of the most eminent Accountants in Canada. It furnishes the voluntary and disinterested opinion of one who has closely examined the past accounts of this Company, and knows how much extra and needless strain is undergone in the continued support of burdens, the prompt removal of the excess of which would be positive gain to all concerned. Mr. Plimsoll, after stating the debit and credit sides of the General Account, and the large sum to Profit and Loss, proceeds to say, "In addition to vouch-
 "ing for the accuracy of the above statement of the Company's affairs,
 "I deem it right to remark that a marked improvement in the system
 "and keeping of the accounts and books adopted by your officials,
 "has characterized the past year. I shall not presume to refer
 "particularly to the various other statements rendered, that duty
 "devolving on others permanently connected with your staff;
 "nevertheless, impressed as I am with the importance and usefulness
 "of plain dealing in all cases, would respectfully urge permission
 "to use it in the instance of the General Statement, where
 "the magnitude of the interests concerned and imminence of
 "the danger incurred suggest the absolute necessity of a remedy
 "which shall be at once 'short, sharp and decisive.' I would refer
 "here to the large sum now carried to the debit of Profit and Loss,
 "viz.: \$525,192²/₁₀₀ cy., with the inevitable result of its being
 "largely increased each succeeding year, without the slightest
 "hope of a reduction, until the amount thus annually increasing at
 "last topples over, leaving your line utterly bankrupt, hopeless,
 "ruined. Assuming the surplus now shown on the revenue account
 "of the past year to be maintained, nay even increased by the full
 "extension of the line, yet such surplus is so limited, so utterly

“ incommensurate with the enormously increasing liabilities arising from interest on the bonds, open accounts, &c., as to render the person liable to the suspicion of insanity, who would expect it to overtake the other.” Here Mr. Plimsoll, starting with the present debt at \$2,912,269 $\frac{4}{100}$, exclusive of Extension Account, shows by calculation how same liability, accumulating at its present rate, will reach \$5,215,427 $\frac{0}{100}$ in January, 1876, or ten years hence. Then he proceeds to say, “ let the present condition of affairs continue to any given point within the next ten years, and you may at once ascertain the least amount of liability at that time, for the most sanguine would scarcely claim for the revenue to be derived during that period greater power than to maintain the Road in good working order, provide the operating and other necessary expenses, renew the Rolling Stock, and liquidate the interest now accruing from Preferential Extension Bonds now issued and to be issued. I would therefore urge upon you the expediency of the ordinary creditors at once consenting to such reduction of their claims as will effectually preserve to them their present really small, whilst nominally large interest in the line, a measure by which they would not suffer in reality ; but on the contrary by its influence be indirectly benefited. It matters not whether the amount of dividend to be divided be declared upon a substantial small, or a shadowy baseless large, capital. The amount to be divided is in nowise affected by the principal sum, provided the proportion be observed ; whilst the relief would be great in lessening the liabilities to an amount such as the capacity of the line would be able to overtake—in *freeing the Direction from an incubus of debt paralyzing every movement, occupying thoughts and time in its adjustment which would be more profitably directed in seeking to advance the general interests of the Company*—would afford security for the present in freedom from legal taxes, costs, and difficulties, and hope for the future ; whilst the absurdity of continuing to issue Bonds to claimants at a heavy waste of time, labor and expense, when there exists not the slightest probability of the redemption of such bonds, or payment of interest thereon, is at once a folly only steadily to be regarded in order to be realized.

STATEMENT No. 4.

EXTENSION ACCOUNT.

17. After having duly advertised for tenders to complete the extension to Sand Point, the work was given by contract, signed 9th of June, 1865, to Mr. J. B. Rogers, for \$55,000. The work was prosecuted satisfactorily, and would have been finished within contract time but for our inability to supply motive power, owing to the delivery of the two new engines being so long delayed. There remain, therefore, about one and a-half miles of track between Pakenham and Arnprior still unballasted, which, with the other final work of boarding bridges, completing wharfage, additional siding, &c., will consume about \$7,000.—(See Statement No. 5.) In order that the approximate cost of each class of Extension work might be ascertained, a classification of Mr. Rogers' expenditure has been obtained from him and added to the respective headings of last year's account. The total expenditure so far, is, in this way shown by Abstract G to be \$236,987 $\frac{41}{100}$ to 31st December, 1865. In the original estimates for which the £60,000 stg., of Extension funds was calculated, machine shop and wharfage extension at Brockville were not considered by the late direction, yet it is evident that, without them, the present business of the Company could not have been materially expanded. They are as vital to the extension as is the latter to the original road, and it may be regarded as matter worthy of congratulation that we have succeeded in bringing them within the limit of Extension Account.

MUNICIPALITIES.

18. On the 11th instant, the Agreement made between this Company and Lanark and Renfrew in 1863, was formally executed. It is claimed that the delay was not occasioned by the Company, who were as ready at first as at last to sustain the Agreement in its true spirit. This Agreement is in effect that, in consideration of the railway being extended, the interest at 7 per cent. on the extension capital shall have a lien on earnings, prior to that of the Municipalities, until 31st December, 1866, and that the interest which shall have been paid to Government by the Counties, under the five per cent. Act., up to 31st December, 1866, shall be repaid to them by the Company during fifteen years.

19. Elizabethtown has again threatened legal proceedings, if settlement of her account be refused. The question is not one of refusal but ability. Meantime it is demonstrated by what has been done in the past two years that, in the natural course of events, one year more will see the municipalities free from the "Railway Tax" forever. If Elizabethtown prefers to delay this desirable event by obstructing our efforts with "legal proceedings," a full share of the trouble and pecuniary loss resulting therefrom will inevitably accrue to herself. The other municipalities and creditors will certainly not permit the brightest prospects they have seen for many years, to be overcast and destroyed by the least creditor of all.

EXTENSION OF CHARTER.

20. At the last session of Parliament the Company secured the passage of an Act extending its charter for five years longer from 1st May, 1866. By a singular perversity this Act was opposed by the learned Member for Brockville and Elizabethtown, who thus ran

plainly counter to the true railway interests of his constituents, and would have deprived the County of Renfrew, in particular, of all hope of further railway extension, had he succeeded in defeating this Bill, which is solely of a beneficial character in preserving to the Company its interest in the "Land Grant," &c., appropriated under the original charter.

For the Board of Directors,

JOHN G. RICHARDSON,

President.

