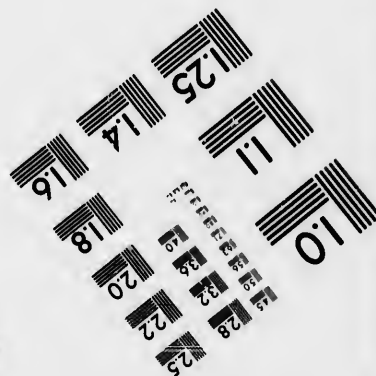
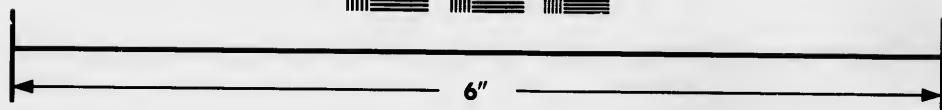
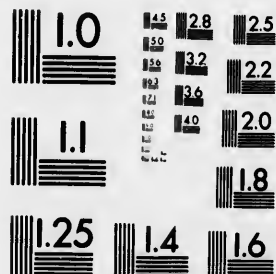


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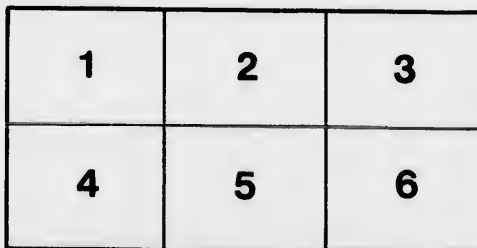
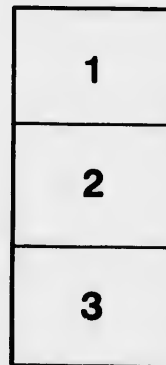
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*Waters & Richards*

# CANADIAN PACIFIC RAILWAY COMPANY.

From THE GAZETTE, Montreal, June 15th, 1885.

The statements submitted at the adjourned annual meeting of shareholders of the Canadian Pacific Railway company held on Saturday mirror forth very clearly the position of that important enterprise. Of the consequence to Canada of the railway, of the marvellous energy displayed in its construction, of the confidence manifested in its work by the chief promoters, and of the pluck with which serious obstacles have been met and overcome nothing need at this day be said. The practical illustration of the value of the road, and especially of the enterprise of the company which the necessity for the speedy transport of troops to the Northwest has afforded, has brought home to the people of Canada the liveliest sense of the wisdom of the policy which inaugurated, shaped and guided to a successful consummation the construction of a railway to the Pacific coast on Canadian soil. Mr. Stephen points with justifiable pride to the achievements of the company over which he presides, and indicates what, until recently, has been insufficiently appreciated, the imperial value of the railway, a value scarcely second to that of commercial development and political cementation. The report and the speech of the President convey the fullest information as to the position and the prospects of the enterprise. Occasion is also taken to clear away many mistaken impressions as to the policy pursued, conveyed by persons hostile to the company and anxious to hamper its operations. The statement, for instance, that the leased and acquired lines are a drain upon the company's resources and have constituted a charge upon its capital to the detriment of the main line contracted for, is shown to be wholly unfounded, these roads east and south of Callander actually producing a

net revenue exceeding by 25 per cent. the fixed charges upon them, and exceeding by above 10 per cent. the interest upon the entire cost of these extensions and leased lines, including the fixed charges upon them. The necessity of providing an outlet to the seaboard scarcely needs to be dwelt upon. A railway running from Callander to the Pacific coast, relying wholly upon independent lines for its subsidiary traffic and its connections with ocean ports could never hope to become a profitable enterprise, and in the development of trade would be seriously hampered; it would, in fact, under such a condition of things be impossible to make of the Canadian Pacific a transcontinental highway capable of successfully competing with its American rivals, and giving to the people of the Northwest that expedition and cheapness of transportation so essential to the settlement of the country.

The President is able to report that the outstanding capital stock is more and more passing into the hands of permanent investors, and of the \$65,000,000 there is held in England some \$40,000,000, in Canada \$15,000,000, and in the United States \$10,000,000, while the original promoters manifest in the most practical manner their faith in the enterprise in the fact that to-day they hold a larger amount of the stock than at any previous time.

The close of September is named as the date of the final completion of the track-laying, there remaining to be covered at this time only 203 miles in British Columbia, from near the summit of the Selkirks to Savona's Ferry, and at the opening of next spring the company will have efficiently equipped and provided with adequate terminal, elevator and other facilities, nearly four thousand

miles of road, that, as to the character of the road-bed, the grades and curves, the equipment, and cheapness of operation, is not equalled by any other trans-continental line. The statement, in this connection, that during the past two years, with 1,500 miles of railway, from Port Arthur westward, in operation, not a single detention of trains from snow-blockade has occurred, is most gratifying. The financial position of the company is detailed minutely in the accounts submitted, from which it is learned that the floating indebtedness amounts to \$6,895,461, the greater part, \$4,702,000, having been created during the past year by the purchase of rolling stock and the provision of elevators, terminal facilities, etc., necessary to the proper conduct of the traffic and to aid its development and enlargement. Upon these latter services a further expenditure of \$5,045,000, the details of which are set forth, is required to place the road in a thoroughly efficient condition from the outset, and this it is intended to make out of the proceeds of the sale of \$15,000,000 of bonds which the company will have at its disposal under the rearrangement of the terms of the loan of last session about to be made. The balance of the loan and subsidy in the hands of the Government at the opening of the present year, \$3,633,082, will suffice to complete the work in accordance with the terms of the contract, and at that date the assets of the company, valuing its lands at \$2 an acre, exceeded the liabilities by \$110,000,000. When finally completed and operated throughout, the fixed charges of the Canadian Pacific Railway system will reach \$3,000,000 annually, about a million of which arises out of rental of leased lines, and the bonded charges on acquired lines, and \$1,200,000

out of the indebtedness to the Government. Last year, as is already known, the net earnings reached \$1,191,900; in the first four months of the present year they exceeded those of the corresponding period in 1884 by \$924,014; the directors feel warranted in anticipating for the current year a net profit of \$2,400,000, while in the first twelve months succeeding the opening of the line throughout a gross traffic of \$12,000,000, and a net revenue of \$3,600,000 is predicted, or more than half a million in excess of all fixed charges from the very outset of the operation of the whole system. That is, indeed, a magnificent prospect, one which all Canadians will rejoice to see realised, and which, from the results already achieved, there is reason to believe will be fully accomplished. There is much more of interest and of profit in the report of the directors and the speech of the president, to which we direct the careful attention of our readers, who will in the statements submitted find the fullest vindication of the policy which initiated the Canadian Pacific railway, and the highest testimony to the pluck and enterprise of the gentlemen who have carried the work to a successful completion.

## Adjourned Annual Meeting of the Shareholders.

### THE PRESIDENT'S ADDRESS.

#### Important Statements of the Position of the Company.

#### ITS ASSETS AND LIABILITIES

#### The Fixed Charges and Probable Revenue of the Year.

The following is a report of the proceedings at the adjourned annual meeting of shareholders of the Canadian Pacific railway held at the offices of the company, Montreal, on Saturday, June 12th, 1885:—

In submitting the annual report of the directors for the year 1884, Mr. George Stephen, president of the company, said:—

In moving the adoption of the report which has just been read, I desire to say a few words which I think necessary fully to explain the position of this company's affairs at present, and which could not well be compressed within the limits of the official report.

You will, no doubt, concur with me in thinking that the statements which the directors have laid before you in the report are such as to inspire confidence in the success of the undertaking, while, at the same time, they indicate much that remains to be done before that success can be secured to its fullest extent.

I congratulate you upon what I think I may venture to call the unparalleled rapidity with which the railway has been constructed, and upon the results which its operation has already accomplished. The figures placed before you are not approached in the history of railway construction, and as well from the reports of persons skilled in such matters, as from my own observation, I can state that the efficiency and thoroughness of the work are as remarkable as the rapidity with which it has been performed.

In the recent unhappy disturbances in the Northwest the company has been fortunate in being able to assist in the transport of troops and material to the field of action, and although, of necessity, some discomfort was experienced by the volunteers in their passage north of Lake Superior, the speed with which that transport was effected, contributed, in no small degree, to the suppression of the on-break. This circumstance has drawn attention, both here and in Europe, to the probability that the railway may, upon its completion to the Pacific ocean, bear a still more important part in the defence of the Empire, and that its usefulness, in that respect, will form an important adjunct to its value as a peaceful instrument in the consolidation and development of the resources of the Dominion.

One of the subjects which are most debated with reference to the railway, is the position and value of its acquired and leased lines. On this subject you have some statistics in the report, and I would only desire to add a few words to the information so given you. The main line of the railway, as you are aware, terminates at Callander, but for the purpose of connecting it with the sea-board, with inland navigation, and with the railway systems of Ontario and Quebec, an extension of it to Montreal and Brockville has been acquired, and the consolidated line known as the Ontario & Quebec railway, passing through Ontario and connecting with American lines and with Lake Haron, has been leased in perpetuity.

These acquisitions by purchase and lease have been frequently referred to as involving the expenditure of money more properly applicable to the construction of the main line. But as respects the original expenditure upon these lines, it is sufficient to say that it has already been repeatedly shown that the cost of the acquisition of the extension to Brockville and Montreal, with many other similar expenditures, was more than provided for by the company itself from funds derived from its own stock; and that the Ontario & Quebec system was acquired and constructed by individuals, independent of assistance from any portion of the funds of this company.

What I desire now to point out to you is, that returns of the actual traffic on the acquired and leased lands east and south of Callander show, at this moment, a net revenue exceeding by 25 per cent. the fixed charges upon them, and exceeding by above 10 per cent. the interest upon the entire cost of those extensions and leased lines, including such fixed charges. This gratifying result, as it seems to me, should put an end to the

statements so freely made in various quarters, that the acquisition of these lines by the company constitutes any burden upon the enterprise, to say nothing of the argument, which I fully endorse, that their importance to the Canadian Pacific railway, in securing for it the handling of traffic, will be at least equal to, and probably greatly exceed in value, the revenue directly derived from them.

I am pleased also to be able to point out to you that the advantages afforded by the company's stock as an investment are beginning to be appreciated by foreign investors. Large numbers of persons in Britain are holders of the stock, and as very little speculation prevails, these persons seem to have purchased mainly for investment. I am enabled to state that of the \$65,000,000 of stock issued by the company about \$40,000,000 are held in England, about \$10,000,000 in the United States and about \$15,000,000 in Canada; and it may not be uninteresting also for you to know that the amount of stock now held by the original promoters of the enterprise is greater than at any previous time in the history of the company.

Another subject has been engaging the attention of the directors which had not reached a position to be mentioned in the report. I refer to the informal discussions which have been taking place during the past year with reference to obtaining access to the port of Quebec, and towards procuring the construction of a shorter line of railway from Montreal to the Atlantic coast in the Maritime provinces.

The directors have felt the importance of obtaining access to the city of Quebec, and to the sea-board at points open in the winter season, and resolutions are now before the House of Commons tending to further both these objects. The importance of a free access to Quebec was strongly felt at the time of the acquisition of the western section of the Quebec, Montreal, Ottawa and Occidental railway, and conditions were inserted in the agreement of purchase from the Quebec Government which, if carried out, would have afforded the company the desired exit for its summer traffic.

These conditions, however, were not performed by the company which obtained control of the Eastern section, and, although as you will no doubt have perceived by the published correspondence, every effort was made by the Canadian Pacific Railway company to obtain the carrying out of the agreement with the Quebec Government, short of proceedings at law for enforcing them, these efforts were not successful. And the discontent which arose among the citizens of Quebec respecting the very imperfect connection with the interior which was afforded by the North Shore railway, through the controlling influence under which it had fallen, had culminated in an agitation for an efficient and convenient access, to and from the city for the internal and foreign trade which naturally appertains to that important seaport.

Such access this company is equally solicitous with the citizens of Quebec to have placed on a proper footing, and no effort will be spared on its behalf to obtain such access, either by acquiring the North Shore railway, if that be practicable upon reasonable terms, or by making arrangements for such access as will operate as effectively as would the actual acquisition of the railway itself.

The further alternative of procuring the construction of a second line of railway from

Montreal to Quebec, by a company to be incorporated by the Government for that purpose, and to be operated by this company, is contemplated and conditionally subsidised by the Government measure; but is an alternative which I sincerely trust there will be no necessity for resorting to.

While on this subject I would like to take the opportunity of expressing my regret that the president of the Grand Trunk Railway company should have seen fit, at the half-yearly meeting of the shareholders of that company, held recently in London, to indulge in an unfair and uncalled for attack upon this company. It would serve no useful purpose for me either to answer his personal attacks or to notice the insolent language of some of the other speakers at that meeting—speakers who are regularly put forward at such meetings, to speak not only of the Canadian Pacific company, but also of the Canadian Government, in terms that would be impolitic for the president himself to use.

The President of the Grand Trunk company, after expressing grave doubts as to the possibility of the Canadian Pacific ever being able to pay its own working expenses, and pointing out the consequent worthlessness of its obligations to pay the rental of its leased lines, the Ontario and Quebec in particular, becomes sympathetic over the troubles he pictures for us, quite forgetting his own for the time. He goes on to say that the question is not how much profit we will make in the first few years, but how much loss we will suffer in working our railway, and how much more money we will want to complete it. He winds up his melancholy forecast of our future by observing that the best thing for the Government and ourselves would be that our railway should be taken over by the Government, and that when that happy time comes, as he thinks it must come, there will be an end to undue competition; and he promises the friendly assistance of the Grand Trunk proprietors to enable the Government to work our line with as little loss as possible.

What weight the Grand Trunk shareholders attach to the oracular utterances of their president I do not know, but I think, in fairness to them if not to ourselves, he should have stated that his information was entirely second hand. I doubt if he has ever seen a mile of the Canadian Pacific railway, or been within a thousand miles of that "vast country," the opening of which he was obliged to say might do the Grand Trunk railway much good by bringing new traffic into Canada.

Had he told his hearers how ill-qualified he was to form a correct opinion on the subject on which he was so confidently presuming to enlighten them, they would have been better able to judge as to the value of the gloomy forecast of our future with which he tried to cheer up his desponding and somewhat restive audience.

I will not follow the example set by the president of the Grand Trunk company, and occupy your attention with any opinions I may have on the position and prospects of that railway, or of any other business competitor; I could not do so without feeling that I was guilty of wanton impertinence.

With reference to the conundrum proposed by Sir Henry Tyler to his shareholders about the difficulty of working our line "with a very severe climate and with all sorts of disadvantages," much greater, as he claims, than those under which his line labors, it is sufficient to say that during the two years we have been working the line between Lake

Superior and the Rooky Mountains, a distance of nearly 1,500 miles, we have not—it may surprise you to know—had occasion to use a snow-plough to keep the line open; and during the past unusually severe winter not one train has been delayed a minute on all of our lines in the Northwest by snow or cold weather. Nor have I any apprehension that in publishing our weekly statements of earnings we will often be obliged to resort to the explanatory cable, familiar to Grand Trunk shareholders, "Line blocked by snow." For is it not within the knowledge of every Canadian present that during the past winter there was more trouble from snow and more detentions to trains from severe weather on the 330 miles of the Grand Trunk railway between Montreal and Toronto than on all the 2,800 miles operated by the Canadian Pacific company?

I commenced these remarks by saying that I regretted that the president of the Grand Trunk company had gone out of his way to speak ill of this company, and I repeat this regret most sincerely.

He has set an example which I hope will never be imitated by any president of the Canadian Pacific railway company. If it is a fact, as Sir Henry Tyler stated, that the few individuals connected with the Canadian Pacific company, who, at great personal sacrifice and inconvenience to themselves, found the capital necessary to provide the Canadian Pacific with a valuable and indispensable connection in the Province of Ontario, did a very foolish thing for themselves, why waste time in persistently reminding them of their folly?

If any of us have made a bad investment, it is our own affair, and the loss will be ours. If, however, we are satisfied, why should the president of the Grand Trunk company vex his soul about the safety of our investments?

I have always held the opinion that there is in Canada plenty of room for both companies, and every day that conviction becomes stronger. Competition between us there must always be, but being competitors why should we be enemies, always at war?

Reading between the lines of Sir Henry Tyler's speech, I think you will perceive some faint grounds for hope that he is tardily coming to the same conclusion as my colleagues and myself have always held on this question. He says to his shareholders that "there is nothing the Grand Trunk desires more than to contribute to the prosperity of Canada in every way by extensions of railways throughout the country, and by opening out those lines which will tend to develop the resources of the Dominion."

If Sir Henry Tyler and his Grand Trunk friends had acted upon these patriotic sentiments, how different would have been the relations of the two companies! But we can well afford to bury the past and to forget the hard words and unfriendly acts of the past four years. Both railways are here, and here they must remain, and it is the duty of those who are responsible for their management to devote themselves honestly and earnestly to the development of the resources and trade of this great and growing country; and in this way they will best promote the interests of their respective shareholders, and secure a fair return on their invested capital. The two companies, each independent of the other as they must always be, but working harmoniously for these common objects, will accomplish the purpose for which their char-

ters were granted, and for which the country has so freely given aid to both.

I now move the adoption of the report, seconded by Mr. Van Horne.

(The following is a copy of the report.)  
Report of the Directors of the Canadian Pacific Railway Company, submitted at the adjourned annual general meeting of the shareholders, held at Montreal on the 13th June, 1885.—

A general balance sheet, with accounts and statements showing the position of the company at 31st December, 1884, are herewith submitted to the shareholders.

#### PROGRESS OF CONSTRUCTION.

The directors beg to report that—  
During the past year the work of construction on the main line has been prosecuted with uninterrupted energy and success; the promise made in May last to the shareholders in the annual report, "that the rails will be laid from Callander to Port Arthur within a year from this time," having been literally fulfilled.

On the mountain section the rails are now laid to a point near the summit of the Selkirk, forming a continuous rail connection from Montreal westward for a distance of nearly 2,500 miles.

On the Government section between Port Moody (the present Pacific ocean terminus) and Savona's Ferry, a distance of 213 miles, the rails have been laid; and this section of the line, which will soon be handed over by the Government to the company, has been operated for some time past by the contractor who built it.

On the section between Savona's Ferry and the present end of the track, near the summit of the Selkirk, a distance of 203 miles (the only remaining gap between Montreal and the Pacific ocean), the work is so far advanced, as to justify the expectation that the rails will be laid before the end of September—completing the track from end to end of the entire main line.

The directors, therefore, can confidently assure the shareholders that by the early spring of next year the through line from Montreal to the Pacific ocean (a distance of 2,895 miles) will be finished and in perfect condition, thoroughly equipped, possessing every requisite facility for doing its work economically and efficiently, and at least equal to the best of its competitors in all respects, particularly as to curves and gradients, permanent way and rolling stock, the quality and character of the railway being far above the standard fixed in the contract with the Government. The company will then have built and equipped 2,244 miles of railway within five years from the time it began work.

#### FINANCIAL POSITION.

In considering the financial position of the company it may be well to remind the shareholders that at the beginning of the present year there remained in the hands of the Government an unexpended cash balance of \$8,633,082, available for the work under contract with the Government. This sum, as has already been officially stated, is sufficient to complete the work remaining to be done, according to the terms of the contract.

It will be remembered that under the contract with the Government it was stipulated that the line to be built by the company should be of a quality and character equal to the Union Pacific railway as it was in February, 1873. But since that date the Union Pacific railway has been

greatly improved, and other Pacific railways of a high class have been built; and it will be obvious to the shareholders, that in order to ensure the complete success of the enterprise, as a commercial undertaking, it is absolutely necessary that the railway, on its opening for through traffic, shall be in all respects, at least equal in efficiency to any of its transcontinental competitors as they now exist; and that it should be provided with ample facilities for taking care of its rapidly increasing local traffic.

Recognizing this necessity, the directors have made during the past year large expenditures for rolling stock, grain elevators, terminal and other facilities, and for the general improvement of the lines in operation—all necessary to secure the requisite high standard of efficiency, though not fully foreseen at the time the contract was made with the Government.

The amount expended towards this object during the past year was \$4,702,684, and this sum, it will be noticed, accounts for the greater part of the floating debt shown in the balance sheet. Further additions to the equipment are now being made; additional facilities will have to be provided immediately, and the usual improvements incident to all new lines must be made from time to time. All the various needs of a new railway in a new and rapidly growing country, and everything necessary to secure economical and efficient operation, and the full development and permanent control of its traffic, must be supplied.

For these purposes, the estimated amount required will be as follows:—

For sleeping cars, passenger cars, dining cars, baggage, mail and express cars, emigrant cars, box and cattle cars, conductors' cars, derelict, tool and other auxiliary cars, locomotives, hand cars, push cars, track tools, semaphore and other equipment requisite for operation of line, also for restoring construction locomotives to good working condition.....	\$1,000,000
For excavators, at Port Arthur, Fort William, Montreal, etc.; coal-bunkers, Montreal; additional real estate, Montreal and elsewhere; newiment walks at Montreal; additional depots and tracks and other facilities, Montreal and other points; additional yard room and tracks, coal and other docks, and other terminal facilities at Fort William and Port Arthur....	1,500,000
For divisional shops and machinery at nine points, coal docks and machinery at two points on Lake Superior section; station buildings, section houses and miscellaneous buildings at various points; additional station sidings and crossing trucks at various points; extension of divisional yards; additional engine houses; improvement in water supply; additional tanks; permanent bridge work at the various crossings of the river and on other sections; additional ballasting, filling trestles and raising roadway.....	600,000
For completion of telegraph system, main line and branches.....	275,000
For connection with Coal Harbor and English bay; shops, buildings, docks, tracks and other facilities at Pacific terminals.....	760,000
Contingent expenditures.....	916,000
	<b>\$5,046,000</b>

At the end of December last, according to balance sheet submitted, the total assets of the company amounted to \$216,711,725.58, as under:—

2,658 miles railway and appurtenances, including steamships and telegraph lines.....	\$116,178,416.26
713 miles railway, built by Government, and given to	

company free, as part of subsidy.....	35,000,000.00
21,399,737 acres agricultural lands valued at \$2 per acre..	42,799,474.00
Amount in hands of Government to pay 8 years 8 per cent. dividend on capital stock of the company.....	14,288,288.87
Balance due on lands sold.....	2,078,286.56
Land grant bonds in treasury.....	728,500.00
Outside assets.....	6,043,759.89
<b>Total assets.....</b>	<b>\$216,711,725.58</b>
Represented by total liabilities amounting to.....	\$106,014,303
As under:—	
Capital stock.....	\$65,000,000
Canada Central bonds.....	1,823,333
Quebec province (due on account Q. M. O. & O. railway).....	3,500,000
Dominion Government loan.....	26,007,512
Land grant bonds (outstanding).....	3,083,000
Floating debts.....	6,895,461
	<b>\$106,014,303</b>

Assuming that the rearrangement of the company's finances now under the consideration of Parliament becomes law, and that the \$15,000,000 mortgage bonds provided for under this rearrangement are sold at par, the following may be taken as the prospective financial position of the company at the 1st of June next (1886); after having expended the \$3,633,082 remaining in the hands of the Government for the completion of the main line, after having provided for the payment of the floating debt amounting to \$6,895,461, and after having expended the estimated \$5,045,000 required for additional equipment and facilities:—

ASSETS.	
2,658 miles railway and appurtenances, including steamships and telegraph lines.....	\$128,851,408
713 miles built by Government, forming part of subsidy.....	35,000,000
21,399,737 acres of land valued at \$2 per acre.....	42,799,474
Amount remaining in hand to pay 8 per cent. dividend on capital stock for 7 1/2 years.....	12,528,029
Balance due on lands sold.....	2,078,286
Outside assets.....	6,043,759
Cash balance from proceeds mortgage bonds.....	3,059,539
	<b>\$233,960,535</b>
LIABILITIES.	
Capital stock.....	\$65,000,000
Canada Central bonds.....	1,823,333
Province of Quebec.....	3,500,000
Government loans (secured by bonds).....	20,000,000
*Government loan balance (secured by lands).....	9,880,012
*Land grant bonds (outstanding).....	15,000,000
*Land grant bonds.....	3,083,000
	<b>\$118,502,245</b>

The fixed charges will then be approximately as follows:—

\$20,000,000 Government loan, 4 per cent.....	\$800,000
\$15,000,000 first mortgage bonds, 6 per cent.....	750,000
\$3,500,000 due Government Quebec (account Q. M. O. & O. railway), 5 per cent.....	175,000
\$1,823,000 Canada Central bonds and sinking fund, 6 per cent.....	107,400
Rental leased lines.....	778,424
	<b>\$2,610,824</b>
Aid—	
\$9,880,912 Government loan, secured on land grant, 4 per cent....	395,236
<b>Total fixed charges.....</b>	<b>\$3,006,070</b>

\*These items will be reduced by land sales.

As the shareholders are already aware, persistent efforts of the enemies of the company at home and abroad, to destroy confidence in the enterprise, have been so far successful, that the \$35,000,000 of unsold shares of the

capital stock of the company have become practically useless as an available resource. The directors have in consequence been obliged to apply to the Dominion Government for a modification of the terms of the act under which the loan of last year was granted to the company. And a measure is now before the Dominion Parliament which provides amongst other things for the cancellation of the \$35,000,000 of unsold shares, and the substitution therefor of \$35,000,000 five per cent. first mortgage bonds. The measure also provides for the postponement of the payment of the indebtedness of the company to the Government, amounting to \$29,880,912, to 1st May, 1891, and for the reduction of the rate of interest from five per cent. to four per cent.; the Government agreeing to accept \$20,000,000 of the proposed bonds as security for the payment of an equal amount of the debt; and, as security for the payment of the remaining \$9,880,912, to retain a first lien on the unsold land of the company, subject to the outstanding land grant bonds.

This measure does not afford means for so complete and advantageous an arrangement of the company's affairs as would have been attained under the conditions suggested in the president's letter on the 18th March last. But the proceeds of the \$15,000,000 of first mortgage bonds which will be available for use by the company, will be sufficient to enable it to pay the floating debt, and to provide for all the additional equipment and facilities which will be needed to place the carrying powers of the company, and its accommodations for traffic, in the highest condition of convenience and efficiency. But the company is being pressed in several quarters for extensions and additional facilities beyond its main line, some of which it desires to provide; and although the directors hope that the measure proposed may also enable them to meet the more important of these requirements, it remains to be seen how far the Government measure, in reducing so largely the relief the company requested, may not restrict its power of providing for the extensions of its connections, which the company and the public, and it is believed the Government also, desire to see carried out; and may not also interfere with the intention and wish of the company to anticipate the period of the repayment of the Government loan.

Should this measure become law, the position the company will occupy on the opening of the through line next spring may be summed up as follows:—

It will have a cash deposit in the hands of the Dominion Government, sufficient to pay semi-annual dividends at the rate of 3 per cent. per annum on its \$95,000,000 capital stock for seven and a half years, or until the end of the year 1893. It will own 3,239 miles; and will hold under lease 695 miles of fully completed and thoroughly equipped railway, forming a total mileage of 3,934 miles. It will own more than 21,000,000 acres of agricultural lands. It will own three fine steel steamships on the great lakes, and an extensive and well appointed telegraph system, with power to extend its telegraph lines to all parts of the country. All this property, together with certain outside assets, in all valued at \$230,960,535, will be represented by a total indebtedness of \$53,892,245, bearing an unusually low rate of interest; and by \$65,000,000 capital stock, for which dividends for seven and one-half years will be in hand.



**TRAFFIC AND EARNINGS.**

The opening of the through line to the Pacific Ocean for regular traffic in the spring of next year, will be the full accomplishment of the national and political objects which the Government of the Dominion had in view in subsidizing and aiding the construction of a transcontinental line through Canadian territory; the company will then have fulfilled all its obligations to the Government under its contract; it will be in the same position as any other purely commercial enterprise, and will depend for its prosperity upon the development of traffic and prudent management. The value of the property as an investment must then be measured and determined solely by the amount of money it can earn.

The following results of the operation of the railway for the last two years have been obtained from it as a new and incomplete railway, only in partial operation, and having to a large extent to create its own traffic, and that, too, during a period of unexampled commercial depression:—

EARNINGS AND EXPENSES.					
1883.			1884.		
Passengers.....	\$1,404,031 37	\$1,980,002 30			
Freight.....	4,755,515 90	3,410,265 39			
Mail.....	69,109 10	85,736 83			
Express.....	57,371 19	95,971 68			
Sleeping cars.....	24,071 55	43,492 00			
Miscellaneous.....	52,790 72	134,352 47			
	\$5,423,405 05	\$5,750,521 27			
Expenses.....	4,892,532 85	4,558,930 75			
Net.....	\$ 501,133 10	\$1,191,890 52			

Construction material included in above earnings:—

1883.		1884.	
	\$1,274,000 gross.		\$923,193 gross.

The amounts included for carriage of construction material do not affect the net result, as it was carried at absolute cost, and such cost is included in the expenses.

**STATEMENT OF EARNINGS, EXPENSES AND NET EARNINGS FOR 1884.**

Month	Earnings.	Expenses.	Net Earnings.
Jan.	\$ 274,045 02	\$ 401,945 19	127,270 17
Feb.	224,638 54	393,005 48	139,328 94
Mar.	279,575 22	355,275 76	75,700 54
April.	343,900 52	318,938 71	25,027 81
May.	424,550 77	349,739 93	74,810 84
June.	559,901 22	369,030 12	151,631 10
July.	549,367 21	394,673 63	154,694 18
Aug.	592,814 47	383,983 85	181,830 92
Sept.	639,839 78	407,628 74	232,211 04
Oct.	735,531 11	438,082 82	297,448 40
Nov.	646,373 88	395,100 37	245,213 01
Dec.	521,552 03	350,239 95	171,315 08
	5,750,521 27	4,558,930 75	1,191,890 52

† Deficit.

During the first four months of the present year, 1885, the earnings and expenses have been as follows:—

Month.	Earnings.	Expenses.	Net Earnings.
Jan....	\$ 423,784 19	\$ 339,658 50	\$ 84,705 69
Feb....	491,508 14	354,361 71	87,146 43
March..	489,151 89	360,424 69	128,527 23
April..	602,141 43	367,776 59	334,364 84
Total.	2,006,585 62	1,401,821 49	604,744 16

There is thus shown an improvement in net results over the first four months of last year of \$922,014.

† The amount of construction material carried this year being \$129,318 gross, as compared with \$106,120 gross for the same time last year.

According to the above statement, and as-

suming that the net earnings for the last eight months of the present year will be no more than they were for the last eight months of 1884, the result for the present year will be a net profit of \$2,113,904.

As an increase in net earnings for the last eight months of this year may fairly be expected, the directors believe that the net result of the present year's operations will not fall short of \$2,400,000; and without pretending to be able to forecast the future, or wishing to indulge in what might seem to be extravagant estimates of the prospective earning power of the property, they believe themselves justified in estimating that for the year beginning June 1st, 1886, which will be the first year of the full operation of the through line, the gross earnings will not be less than \$12,000,000, and the net profit not less than \$3,500,000; and the directors feel confident that every succeeding year, as the country traversed by the line is brought under cultivation, there will be a large and constant increase in the earnings and net results.

The Ontario and Quebec line, from Perth to Toronto, was not opened for traffic until late in August last, and it was in partial operation only during the remainder of the year; but the results were such as fully to satisfy the expectation of the directors, and to establish beyond question its great value as a large contributor to the profits of the company, and its necessity for the protection of the traffic of the main line.

The directors have no misgivings about the wisdom of their policy in securing the control of new and independent connecting lines in Ontario and Quebec, the necessity for which was impressed upon them by the bitter hostility and unreasoning jealousy with which the company has been pursued, from its very inception, by another Canadian railway company which has so long enjoyed an almost undisputed monopoly of the railway business of the Dominion. The directors are convinced that without the control of tributary lines, reaching all the important centres of trade in the older provinces of the Dominion, the company could have no adequate command of the traffic to and from the Canadian Northwest and the Pacific coast, and that the greater part of it would continue to be carried by the American lines, as it has been in the past, and the Canadian Pacific railway would fail to accomplish one of the main objects for which it was brought into existence.

**LANDS.**

The land sales for the past year have been as follows:—798,584 acres, at an average price of \$3.01 1/2 per acre.

The total sales up to December 31st, 1884, were.....	\$3,730,187 acres
Less cancelled sales.....	129,924 "
	3,600,263 acres

These cancelled sales were the result of failure on the part of the purchasers to carry out the terms of their contracts—in some cases as to cash payments, in others as to cultivation. Where the lands were held by speculators who defaulted in payments or in conditions as to cultivation, it was thought best that the lands should revert to the company; but the most liberal treatment has been accorded to all *bona fide* settlers who appeared to have acted in good faith.

The experience of the company in the matter of land sales has been to some extent similar to that of nearly all the land grant railways in the United States, where the

first speculative fever has almost invariably been followed by a heavy falling off in land sales, owing to the presence of vast quantities of free Government lands; but as these were taken up by settlers, the sales of railway lands increased and prices increased as well.

Profiting by the experience of others, this company has extensively advertised the free Government lands, and made every effort to stimulate their settlement.

The settlements along the main line now extend something more than 400 miles west of Winnipeg, and for this distance the greater part of the Government lands within ten miles of the railway have been taken up, and there are indications of renewed activity in the sales of the lands of the company.

**LAND GRANT MORTGAGE.**

The following was the position of the 5 per cent. land grant and mortgage bonds at 31st December, 1884:—

Total issue.....	\$25,000,000
Deposited with the Government as security under the contract, without interest.....	\$5,000,000
Held by the Government under the Loan Act, 1884, without interest.....	8,000,000
Redeemed by land sales and cancelled.....	7,316,000
	21,312,000
Balance outstanding.....	\$3,688,000

Against this balance the company hold interest bearing obligations on land sales contracts amounting to \$2,078,286.56, and has on hand \$728,509 unsold bonds.

It will no doubt be gratifying to the shareholders to know that there are no telegraph, sleeping car or elevator companies, or anything of that nature, connected with their line, nor any private interests of any description to absorb any portion of their profits.

The disturbance among the Metis and Indians of the Northwest Territories, although occurring in a district several hundred miles north of the railway, and in no way affecting the Province of Manitoba nor any of the territory adjacent to the company's lines, may for the present, have a deterring effect upon emigration; but its ultimate influence will not be injurious in this respect; while the outbreak itself, and recent events in Europe and Asia, have demonstrated the vast importance of the Canadian Pacific railway to the welfare of this country and to the empire at large.

The directors, without having come to any decision in the matter, strongly incline to the opinion that, under all the circumstances of the case, and especially in view of the fact that the 3 per cent. guaranteed dividend, secured for the next eight and a half years, yields to the shareholders a fair return for the capital invested, it would not be expedient to pay any further supplementary dividend out of capital, during the short period which will be occupied in completing construction. The directors, however, believe that after that period has expired the net earnings of the company will soon be sufficient to warrant the payment of increased dividends.

The directors are happy to state that in the operation of the railway no material difficulties have been encountered, and that, notwithstanding the unusual severity of the past two winters, the traffic has been carried, both on the eastern and northwestern sections of the line, with singular freedom from accident or delays; and the statement is now

submitted with entire confidence, that fewer difficulties will be experienced, in the future, than on any other railway in Canada or the northern United States, and that, owing to the superior character of the line, the expenses of maintenance and operation will be considerably below the average.

The directors regret losing another of the original associates, who together undertook to carry through this work, Baron Reinach, of Paris, having resigned his seat at the board in December last. Mr. John Turnbull, who consented to join the board temporarily in March, 1884, now desires to retire.

In conclusion the Directors desire to say that it has been their aim in this report to give information necessary to enable each shareholder to form his own opinion of the position and prospects of the company. While the past eighteen months have been a period of some anxiety to the Directors, and the difficulties and embarrassments connected with the undertaking sometimes seemed as if they might prove to be overwhelming, yet amid them all the Directors have never for a moment lost confidence in the ultimate success of the enterprise.

GEORGE STEPHEN,  
President.

CONDENSED BALANCE SHEET—DECEMBER 31st  
1884.

<b>Cost of Road—</b>		
Main Line.....	\$288,321,586	
Acquired Lines.....	8,981,955	
Branch Lines.....	4,005,172	\$101,908,723
<b>Note—</b>		
Lines built by Government not including estimated cost.....\$16,000,000		
<b>Equipment—</b>		
Rolling Stock.....	7,350,930	
Lake Steamers.....	607,360	
Shops and Machinery at and near Montreal.....	603,105	8,600,484
<b>Construction—</b>		
Plant, Tools and outfit.....		208,201
Real estate at and near Montreal.....		408,207
<b>Advances and Expenditure on Leased Lines—</b>		
South Eastern Railway.....	\$1,505,280	
St. Lawrence and Ottawa Railway.....	227,155	
Atlantic and North-west Railway.....	202,837	
Manitoba South-western Colonization Railway.....	1,254,878	
Ontario Leased Lines.....	1,285,480	
		[4,645,482
Accounts receivable.....		2,008,357
Material on hand.....		3,687,720
<b> Dominion Government Fund—</b>		
Amount on deposit to guarantee \$		

per cent. divi- dend on stock:		
Original deposit.....	8,710,340	
Additional de- posit.....	147,186	
A m o u n t a d- vanced by Govt	7,880,812	
	16,328,388	
Less dividends paid.....	1,960,000	14,368,388
Balance due on lands sold (de- ferred payments)		3,078,388
Land Grant bonds in possession of company.....		739,600
Total.....		\$188,912,261

NOTE—21,390,737 acres of land unsold  
valued at \$2 per acre, \$42,795,474.

Capital stock.....	\$65,000,000
<b>Mortgage Bonds—</b>	
Canada Central (1st mortgage bonds 5 per cent.)	
Amount of issue, £500,- 000 equals, \$2,433,333	
Sinking fund deposited with Govt. 1,500,000	
Amount necessary to re- deem balance at ma- turity.....	\$850,000
Canada Central (2nd mortgage bonds 6 per cent.).....	973,333
	1,823,333

<b>Due Province of Quebec—</b>	
Balance due on purchase of Q. M. O. & G. Ry.....	3,500,000
Land grant bonds (1st mortgage.)	
Amount of issue.....	\$25,000,000
Less amount redeemed by land sales.....	7,310,000
	17,684,000
Amount held in trust by Dominion (Govt. and not bearing interest.....	13,008,000
	\$3,088,000

<b>Government Loan.</b>	
Amount applied on account of fund for Government guaran- tee of dividend.....	7,380,912
Total loan on account of construc- tion.....	\$2,500,000
Amount re- ceived.....	18,026,600
	26,007,512
Amount to be received.....	\$3,873,400
Loans payable.....	2,435,047
Unpaid vouchers.....	4,460,413
Cash subsidy paid by Government:	
Total cash subsidy.....	25,000,000
Amount received.....	20,240,317
Amount to be received.....	\$4,759,682

<b>Land Grant.</b>	
3,800,393 acres sold amounting to.....	\$10,806,334
Less—Expenses and 10 percent premium on land grant bonds taken in payment.....	1,111,847
	9,694,486

<b>Town Sites.</b>	
Amount received for sale of town sites not covered by land grant mortgage.....	804,074
Bonuses received from municipalities.....	232,000
Nett revenue from road to date during construction (all in- terest and rentals having been de- ducted.....)	1,626,064

\$138,912,261  
I. G. OGDEN,  
Auditor.

Montreal, June 12th, 1885.

The report was adopted and the following directors elected for the ensuing year:—  
George Stephen, Montreal; Hon. Donald A. Smith, Montreal; Wm. C. Van Horne, Montreal; Richard B. Angus, Montreal; Edmund B. Osler, Toronto; Sandford Fleming, C.E., C.M.G., Ottawa; H. S. Northcote, London; P. du P. Grenfell, London; C. D. Ross, London; R. V. Martineau, Amsterdam and New York; Hon. W. L. Scott, Erie, Pa.; George R. Harris, of Messrs. Blake Bros. & Co., Boston.

The meeting was then made special in pursuance of the notice calling the annual meeting, for the purpose of considering certain proposed legislation relating to the financial position of the company now under consideration of Parliament, and of authorizing the board to accept such legislation and to act upon any provision therein respecting the extension, by lease or otherwise, of the company's railway.

The President stated that some informal discussion had taken place with the Government respecting the best mode of obtaining access to Quebec, and with officials of the Grand Trunk railway as to the North Shore railway; and that in view of the resolutions now before the House of Commons it was expedient that such authority as the shareholders might determine upon in respect of that important subject should be conferred upon the Board.

WHEREUPON IT WAS RESOLVED,

That the Board of Directors of this Company be, and they are hereby, authorized to enter into such agreement with the Government and with the company controlling the North Shore Railway as they shall determine upon and as they shall consider necessary to meet the requirements of the said resolutions and of the Government in connection therewith.

The annual and special meetings were then adjourned until Thursday, the 25th instant. At a subsequent meeting of the new board Mr. George Stephen was re-elected president and W. C. Van Horne vice-president of the company.

9,394,386

504,075

282,000

1,028,004

\$138,012,351

GD&M,

Auditor.

the following  
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Donald A.  
Morne, Mont-  
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; Sandford  
Ottawa; H.  
P. Grenfell,  
R. V. Mar-  
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