CANADIAN PACIFIC RAILWAY COMPANY

REPORT OF PROCEEDINGS

AT THE

ANNUAL MEETING OF SHAREHOLDERS

MAY 1, 1935

CANADIAN PACIFIC RAILWAY COMPANY

REPORT

OF THE PROCEEDINGS AT THE FIFTY-FOURTH ANNUAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 1, 1935

The meeting assembled, in conformity with the notice convening the same, at noon, at the General Offices of the Company at Montreal.

The Chairman of the Company, Mr. E. W. Beatty, presided and the Secretary of the Company acted as Secretary of the meeting.

The notice calling the meeting having been read by the Secretary, the President, Mr. E. W. Beatty, in moving the adoption of the report on the affairs of the Company for the year ended December 31, 1934, which had been printed and distributed to the shareholders, said:—

When I appeared before you at this time last year it was to comment upon a report which reflected a decline in traffic and gross earnings for the fifth successive year. At that time I stated that 1933 might prove to be the low point, from which there would be progressive increase to normal levels. Traffic in 1934, while still far from normal, did show a moderate improvement over 1933, and while 1935 has not started auspiciously, it is hoped that the recovery will be carried forward into the current year. The results of the Company's operations for the year 1934 have been portrayed in the Annual Report, which has been distributed. Certain observations with further reference to the accounts may be of interest.

Last year gross earnings of the Company increased 9.9%. Working expenses, as a result of careful control, increased 6.7% only, and net earnings increased by $4,960,729, or 44% of the increase in gross earnings. The ratio of working expenses (including taxes) to gross earnings declined more than two points, and now stands at 80.58%. This is the lowest ratio since the year 1930. These favourable results reflect the re-adjustments of operations which have been achieved through the continued diligence and perseverance of the Company's officers and employees in the performance of their duties.

An analysis of the traffic movement furnishes an informative insight into the general conditions of the country, and a comparison with the traffic movement of previous years indicates the extent to which progress has been made along the road to recovery. Rail freight tonnage increased 16.3%, ton mileage 7.2%, and revenue 11.3% over 1933. The major increases in tonnage were in products of mines, products of forests, and manufactures and miscellaneous, which increased 28.9%, 29.9% and 22.1%, respectively. There was a moderate increase in tonnage of animals and products of 7.8%. The increase in tonnage of less than carload freight was 2.5% only, no doubt partly due to the continued unregulated competition on the highways. There was an increase of less than one-half of 1% in the tonnage of agricultural products and an actual decrease in revenue from this class of products, which ordinarily forms a very substantial proportion of this Company's business. The reduction in revenue from agricultural products took place mainly in grains, of which western wheat is the principal item. A small wheat crop in 1933 followed by a crop in 1934 of approximately the same size, together with reduced exports, has resulted in a diminished primary rail movement. The persistence of drought conditions in the southern portion of the Prairies has played no little part in the traffic declines of your Company of the last few years. From 1923 to 1930 the total annual inspections of grain on all railways in Western Canada averaged 425,000,000 bushels, whereas the average from 1931 to 1934 was 323,000,000 bushels. In addition, as the territory affected by the drought is largely served by your railway lines, your Company received a smaller proportion of the reduced total. Thus, for the eight-year period 1923-1930 the bushels of grain inspected on your Company's lines formed 56% of the total, while for the four years 1931-1934 the percentage was 49% only. The effect of these conditions is shown by the record of annual grain inspections on your Company's lines. In 1934 a total of 138,000,000 bushels of grain was inspected, which compares with the figures for previous years as follows:—

1926	226,000,000	1930	175,000,000
1927	232,000,000	1931	149,000,000
1928	370,000,000	1932	185,000,000
1929	201,000,000	1933	160,000,000

As has already been mentioned, Western wheat constitutes the principal item to show a reduction in revenue. It is patent that the wheat situation remains the main factor retarding a more substantial recovery in gross revenues—and until this condition is rectified satisfactory progress cannot be assured. Stocks of Canadian wheat in store in elevators in Canada and the United States on April 19, 1935, were 222,000,000 bushels, as compared with 214,000,000 bushels at the same time last year, notwithstanding the partial or complete failure of crops in many parts of the world. Argentina and Australia, meanwhile, have been meeting the larger part of the world's import demands. However, it is gratifying to note that the total surplus stocks in exporting countries are diminishing rapidly, as a result of lower production generally in both hemispheres and increased purchases by the Orient. Statistics indicate that this year may mark a change for the better in respect to wheat prices and Canada's wheat position, which will be promptly reflected in the earnings of your Company.

A constructive feature of the traffic situation is the reversal in the past year of the trends in the volume of consumers' goods and durable goods carried. It is a well known feature of depressions that demand for durable goods falls off to a much greater extent than for consumers' goods. Capital expenditures are reduced to a minimum, construction almost ceases, and a much greater proportion of the available purchasing power goes into consumers' goods. This has been particularly observed in the present depression. In 1933 the tonnage of representative classes of durable goods had declined about two-thirds from the average of 1928 and 1929, while the reduction in consumers' goods was about one-third. A material increase in the movement of durable goods has been anxiously awaited. Analysis of last year's traffic indicates that this is now commencing to take place. The tonnage carried in the major classes of durable goods in 1934 was 50% greater than in 1933, while the increase in consumers' goods was 7%. This revival in the movement of durable goods is particularly encouraging, as it reveals that constructive headway is being made in important sections of industry which have been seriously depressed.

The number of passengers carried by rail for the year showed only moderate gain, the increase over the previous year being less than 6%. This branch of the service is now providng only 20% of the total gross earnings of the Company, as compared with 30% prior to the Great War. The decline can be attributed principally to the inroads of the private motor car and, to some extent, of the motor bus in the passenger travel field. The average revenue per passenger mile decreased from 2.31 cents in 1933 to 2.19 cents. This decrease is largely accounted for by cheap rate excursion travel, both in respect to short distance excursions and cheap rates for limited periods between Eastern and Western Canada. Notwithstanding the increased passenger traffic, there was a reduction in train mileage, which resulted in an improvement of 12.9% in the passenger carryings per train mile. The pooling of certain passenger services with the Canadian National Railways has aided in this performance.

Revenue from mails and express increased $526,172. There were also moderate increases in revenues from other sources.

Maintenance expenses during the year increased $4,380,832, or 12.5%. The major portion of this increase was spent on equipment. Work in the main shops in 1933 had been sharply curtailed. Commencing with March, 1934, the main shops began working on a schedule of 14 days per month, instead of 10 to 12 days as in the previous year. Charges to operating expenses for retirement of equipment were $508,327 greater than in 1933.

Transportation expenses increased $1,958,764, or 4.5%. The ratio of transportation expenses to gross earnings was 36.3%, as compared with 38.2% in the previous year. Notwithstanding the severe weather conditions of the early part of 1934, fuel consumption per 1,000 gross ton miles remained at the same level as in 1933. The efficiency and despatch in freight traffic movement showed further improvement, the gross ton miles per train hour, which in 1932 were 22,819, increasing to 23,849 in 1933 and 24,062 in 1934.

Special Income for the year amounted to $6,663,793, an increase of $441,312 over the previous year. This represents the net income from dividends, interest, exchange, separately operated properties, steamships, communications, hotels, office buildings, and miscellaneous. In order to conform with returns to certain regulatory bodies, it is proposed in next year's accounts to record these earnings under the caption "Other Income" and a minor re-arrangement will be made in the sub-captions in order to include in one total all the dividends received.

Fixed Charges for the year amounted to $24,578,026, an increase of only $189,411 over 1933. These charges consist of $3,625,070 rentals for leased lines and $20,952,956 interest on outstanding obligations.

After payment of all operating expenses, taxes, and fixed charges, there remained $6,469,791 for transfer to Profit and Loss and Surplus Revenue Account, as compared with $1,257,161 in 1933, an increase of $5,212,630.

The full annual depreciation requirement based upon a rate of 4% per annum on the original cost (less estimated salvage) of your ocean and coastal steamships amounting to $3,783,660 was appropriated for Steamship Replacement Reserve. While this amount exceeds the amount of the actual net earnings from steamship operations for the year, it is essential to note that these operations form a very important link in your world-wide transportation system, and, by turning over traffic to the railway, add substantially to the revenues from rail operations. The results of the operations of your vessels in the face of extreme competition and under the acutely depressed conditions existing in the shipping world continue to compare favourably with those of others in the same trade.

You have already been informed in the Annual Report of the reason for the charge in connection with the retirement of 119.7 miles of second main track, which is one of the principal items making up the amount of $4,767,090, "Loss on lines abandoned, property retired and not replaced, and miscellaneous debits." Abandonments of this nature are made for the purpose of achieving more remunerative operating results through reduction in expenses and release of usable material. For these reasons, such abandonments should be viewed with favour, even though the immediate accounting results in charges against surplus account. Similar charges are involved in the applications now before the Board of Railway Commissioners for permission to abandon certain light traffic lines of the Company and in the proposals to abandon certain lines which parallel lines of the Canadian National Railways. However, improved net earnings for the Company will result if these abandonments are approved.

Although your investment in the United States railroads controlled through stock ownership is carried on the books of your Company at less than the book equity as computed from the balance sheets of these companies, it was considered advisable to make a further appropriation of $4,000,000 for possible losses in respect of investment in these lines. During the year the Company advanced to the Minneapolis, St. Paul & Sault Ste. Marie Railway Company $4,895,083, which enabled that company to meet in full its interest charges and retire $600,000 of notes due the Railroad Credit Corporation which had been guaranteed by the Canadian Pacific Railway as to principal and interest. The financial condition of this carrier has been the subject of grave concern, your Company having guaranteed interest amounting to $4,174,650 per annum on that company's outstanding bonds and principal and interest on $1,400,000 balance due the Railroad Credit Corporation. After careful consideration, it has been deemed in your interest up to the present to preserve that company's financial integrity. The situation is being watched closely with a view to keeping the Company's commitments to a minimum, and in any event, the major part of your interest guarantees cease in 1938. The other controlled railway companies in the United States did not require any financial assistance from your Company during the year.

Since the Annual Report was issued, letters have been received from a number of holders of Preference Stock expressing disappointment that a dividend on that Stock had not been declared. Careful consideration of the results of operation for the year 1934, and of the cash requirements for re-payments under equipment trust deeds, for anticipated advances to the Minneapolis, St. Paul & Sault Ste. Marie Railway Company and for other purposes, will, it is believed, confirm the Directors' decision that they would not have been justified in declaring any dividend in respect to the year 1934. While it is hoped that the worst of the unsettled conditions that have prevailed for so long are past, it is considered that the interest of all classes of shareholders will best be served through continued conservation of your Company's cash resources until dividend disbursements can be resumed without endangering the future financial stability of the Company. If trade volume continues to show improvement, it is hoped that the maintenance of this policy will not long be required. As the report indicates, the position of the Company has been improved materially.

The assets and liabilities of the Company are detailed in the Annual Report. Changes during the year are largely self-explanatory. Comments on a few of the major items may be of interest.

The capital expenditures for the year were less than the credits to property account arising from the retirement of equipment and other property. As a result, your Company's investment in railway, rolling stock equipment, lake and river steamers, and hotels was reduced by $3,492,380.

The investment in ocean and coastal steamships decreased $4,549,719, principally due to the retirement of the steamships "Empress of France" and "Metagama," which were sold for breaking up.

Acquired securities increased $2,521,000 due to the acquisition of $2,521,000 of Manitoba South Western Colonization Railway First Mortgage Bonds out of a total issue of $2,544,000, which matured June 1, 1934. When the remaining bonds are acquired, it is proposed to extend the term of the bonds. In the meantime, your Company's interests in the property are fully protected.

Advances to Controlled Properties and Other Investments increased $4,672,540, due to the advances to the Minneapolis, St. Paul and Sault Ste. Marie Railway Company, to which reference has already been made.

Assets in Lands and Properties decreased $7,708,945, due principally, as mentioned in the Report, to the transfer of 263,744 acres heretofore classed as "Irrigated" to "Non-irrigated," with necessary re-adjustment in value.

The cash on hand was $11,129,754 less than a year ago. At that time funds were reserved for the redemption of maturing securities which have since been retired.

No change occurred in the capital stock of the Company during 1934.

Bonds and Notes outstanding decreased by $16,665,392. The principal changes have been detailed in the Annual Report.

The increase in Reserves amounted to $7,636,196; the increase in steamship replacement reserve being $3,671,582, and the increase in investment reserve being $4,000,000.

Land Surplus decreased $11,337,314. This is principally due to an adjustment of land inventory values totalling $7,411,903, chiefly consisting of the re-classification of the lands referred to previously; charges account contracts cancelled of $2,191,648; and miscellaneous adjustments totalling $1,954,286.

Surplus revenue from operations, notwithstanding the heavy drains of recent years, still stands at $145,912,721. This surplus is, of course, not liquid. It has largely been re-invested in the property in accordance with the long established and desirable policy of keeping down the interest bearing obligations having priority over the preference and ordinary stock.

The Securities and Exchange Commission of the United States has promulgated rules and regulations, effective in 1935, in respect to financial and other data which will be required to conform with statutory enactments in order to maintain listings on the United States Exchanges. If, in order to comply with these regulations, any changes in connection with the arrangement of your balance sheet and your accounts are found to be necessary, it is anticipated that they will be of a minor nature only.

For the first three months of 1935, gross earnings show a decline of $1,049,000 from 1934, but an increase over 1933 of $2,866,000. There has been an increase of $360,000 over 1934 in the first three weeks of April. The major adverse factor contributing to the decrease in gross earnings to date has been the decline in grain traffic. Grain car loadings on the Canadian Pacific during the first sixteen weeks of 1935 were 8,200 cars less than in the corresponding period in 1934. The latest reports to hand, however, indicate the possibility of a general pick-up in the movement of western grain. Passenger traffic has shown a slight increase as compared with the corresponding period of last year. Operating expenses for the early part of 1935 were adversely affected by the severe and prolonged snow and flood troubles in British Columbia. Pay roll expenses have also increased, due to the change in the basis of deductions from basic rates of pay for officers and employees referred to in the Report. Based on the staff employed in 1934, it is estimated that this change will add approximately $3,160,000 to expenses during the year 1935.

Enquiries in regard to summer travel have been more numerous than last year up to this time. It is hoped that this will result in greater hotel earnings, which will be required to apply against increases in wage rates and material costs if net earnings from this service are to be maintained or increased.

The communications services of your Company ordinarily derive considerable revenue from leased wire and message services furnished to brokerage and commission houses. This business had suffered severely in recent years due to the disorganization of the financial markets but in 1934 there was evidence of recovery following increased activity in these markets, an improvement which it is anticipated will be continued into the present year and will be reflected in increased earnings from this branch of the service. Your communications plant and equipment are modern in every respect, having been kept well abreast of the extraordinary developments which have been taking place during the past decade, and your Company is in a position to continue to enjoy its full share of the business offering.

The outlook for both Atlantic and Pacific steamship business appears a little brighter for the present year. There are indications that the wave of economy in travel expenditures in this and other countries is passing and that passengers are returning to the class of travel to which they have been accustomed in the past. The continued fluctuations in rates of exchange throughout the world remain a disturbing factor in overseas passenger travel. The celebrations this year of the 25th anniversary of the accession to the Throne of His Majesty, the King, will mean a large influx into England of tourists from all countries of the Empire, in which movement your ships on the Atlantic and Pacific, as well as those of the Canadian Australasian Line, will participate. Sight-seeing in the Orient is becoming increasingly attractive. The Ottawa trade agreements of 1932 continue to affect the ocean freight situation favourably and a moderate improvement is expected this year.

On the Atlantic, the "Empress of Britain" has brought prestige and popularity to the St. Lawrence route and the average carryings per pound trip during 1934 were greater than in 1933, with higher average rates. While the world reputation of this ship has been justly attained by the high standard of her accommodation, you will be interested to learn that there is increased evidence of her popularity with Third Class passengers.

The "Empress of Britain" was designed to give the St. Lawrence route the highest standard of North Atlantic service in the summer, and in the winter to assume leadership among cruising vessels around the world. The Atlantic success has been referred to, and it is pleasing to announce that this ship is now completing the most successful World Cruise in the history of the Company. Much credit is due to our representatives and agents throughout the world for the efficiency of the detailed arrangements incidental to the cruise. It involves the organization and operation of 37 special trains in such widely diversified countries as Palestine, Egypt, India, Malay States, Cambodia, China, Japan, and 54 major shore excursions covering periods of from two days to two weeks in the interior of the 25 overseas countries visited.

The "Empress of Australia" returned on April 24 from a most interesting and successful cruise to the Mediterranean, East and South Africa, South America, and the West Indies, and made a call at Tristan da Cunha, Britain's lonely isolated island settlement in the South Atlantic, where gifts from Their Majesties, The King and The Queen, of much needed supplies, were successfully landed. The visit was a source of much joy to the 172 inhabitants and of interest to the passengers.

Your Directors, in furtherance of the policy which has been steadily kept in view since the inception of the Company's Irrigation project in the Province of Alberta, have recently entered into a contract for the transfer of the Eastern Section to the Board of Trustees of an Irrigation District incorporated by a Special Act of the Legislature, the terms of the contract being sanctioned and validated by the Act of Incorporation. Your Directors are of the opinion that the terms of the agreement provide reasonable assurance for the success of the District and the development of an increasing body of traffic for your railway. The Company will transfer to the District that portion of its Irrigation project in the Province of Alberta, known as the Eastern Section, together with the existing land contracts and the unsold areas of land tributary to the system aggregating 1,200,000 acres, and pay $300,000 as a contribution towards the costs of maintenance and operation of the system during the transition period of two years from the date of the agreement. The District will assume all of the statutory and contractual obligations of the Company in respect of the maintenance and operation of the system and the delivery of water in perpetuity.

This year marks the 50th anniversary of the completion of your Company's transcontinental line, an historic event which sealed the Confederation Compact with British Columbia and saved that Province to the Dominion. The development and progress of the Canadian West were initiated by the construction of the Canadian Pacific. For these reasons it is fitting that I should refer to the intervening 50 years, which have been years of sustained service to the people of Canada.

No one can fairly deny the wisdom of the Parliament which in the early days committed the construction and completion of the first transcontinental line to a private company aided by moderate subsidies of land and money. The railway was pushed to completion five years earlier than the contract date. Under the terms of the original contract with the Government, it was provided that the Company "shall forever efficiently maintain, work and run the Canadian Pacific Railway." How the Company has so far carried out this obligation will be found in its record of steady growth and improved service. Not only has it implemented its contract obligation to the Government, but it has contributed in taxes from its own funds upwards of one hundred and thirty million dollars. The expenditures made by the Company since its incorporation in aid of immigration, land settlement, and development of natural resources have amounted to $111,000,000. It has in many other ways contributed to the social welfare of the country, and in recent years has, to the full extent to which its resources have permitted, endeavoured to mitigate the hardships to workers and their families resulting from prevailing conditions. The results of its operations have been made the general yardstick for Canadian freight rates, which are perhaps the lowest in the world. This has been rendered possible only by the economic and efficient management of your properties, and has resulted in widespread benefits to the country at large.

We are emerging from a trying period of depressed traffic levels, which, for length and severity of incidence, has been unparalleled in the Company's existence. The exigencies of the depression have been met by careful readjustment of services and the exercise of stringent economy. Notwithstanding these conditions, your properties have been appropriately maintained and your Company is in a position, when traffic again returns in augmented volume, to continue to serve economically the country's needs. The oft-repeated maxim: "What is good for Canada is good for the Canadian Pacific"—evidenced so many times in the past, is equally true to-day.

The maintenance of your Company's position in the competitive field in recent years has, nevertheless, involved a severe strain on its resources. The unfairness of the railway situation was envisaged by the Drayton-Acworth Commission as early as 1917. The report of the Commission stated: "So long as competition is in the hands of other organizations also having to earn the interest on their bonds and striving to earn a dividend on their stocks the Canadian Pacific has no cause for complaint. But competition with railways operated by the Government stands on an entirely different footing." It recommended that the railways now constituting the Canadian National system be handed over to a Board of Trustees to control and manage on behalf and on account of the people of Canada. This the Government did not do. Lord Shaughnessy read the future even more accurately when he brought forward his consolidation proposals in 1917, and again in 1921. The Senate Committee, appalled at the mounting burden to be borne by the country due to the increase in the Canadian National deficits and expenditures, recommended a similar plan in 1925. The Duff Commission, in 1932, although it adopted co-operation rather than unification as the most expedient plan which in its view would meet the circumstances of the moment, did not fail to draw attention to the injustice the Canadian Pacific Railway had suffered under subsidized competition from a competitor which financed its operations with unlimited borrowing on the credit of the country. The aggregate of deficits of the Canadian National Railways has now reached a total which threatens the very solvency of our national finances.

The 1934 report of the Trustees of the Canadian National Railways outlines at length the inherent difficulties there are in carrying out the policy of co-operation which was made a statutory obligation on both railways by the Canadian National-Canadian Pacific Act, 1933. The statement points out that the total joint economies for co-operative projects to date amount to $1,093,000 only, a figure which is in striking contrast with some of the estimates which were given as to the savings that could be effected by this means. The technical difficulties and the amount of labour and expense involved in ensuring an equitable distribution of burden and advantage under the varying conditions of the different projects cannot be fully appreciated by those not familiar with the intricacy of the problems. Only those who have had experience in keen competition, such as that which exists between the railways, can have full understanding of the difficulty of reaching and maintaining equitable arrangements to eliminate this competition even in a restricted area.

Your Directors have used all means within their power to improve the financial position of the Dominion and the Company through measures of co-operation with the Canadian National. Although we are convinced that the plan of co-operation has its obvious limitations, which make it an inadequate solution for the pressing financial drain on the public exchequer, we shall continue to co-operate until a more effective plan has been adopted.

In addition to the economies which have been put into effect, your officers have urged the adoption of plans for unifying the operation of the express and telegraph facilities of the two systems, for the common use of the best passenger terminals at Montreal to facilitate further pooling in the interest of maximum convenience to the public and maximum economy to the railways and for the pooling of the Montreal suburban passenger services. Your Directors are prepared to conclude agreements in respect to all of these projects on a basis which will equitably divide the burden and advantage between the two companies. Only in one instance, as the Trustees of the Canadian National Railways record, has this Company been unable so far to agree to proposals they have urged. This was in respect to the pooling of passenger traffic west of Toronto, which, as proposed, would have involved severing a long established and valuable traffic connection with an important American railroad. In this, and other respects, the problems in this territory are not of the same nature as those in the present pooled areas. The proposal offered only moderate savings, and your officers are of the view that, if adopted, it would undermine the very substantial rail and ocean steamship traffic which this Company has fostered to, from, and through this area, with consequent detriment to Canadian rail routes, Canadian hotels, Canadian ports and ships. In other words, there was danger of your Company losing traffic out of all proportion to the possible savings. Up to the present no plan has been devised which, in our opinion, could equitably divide the burden and advantage of pooling in the territory referred to, but the situation is being further explored.

Experience with co-operation strengthens the view that unification alone offers an adequate solution to the Canadian railway problem. No other plan can eliminate the tremendous waste caused by maintaining duplicate services in a country which can no longer afford to pay for this duplication. Unification would also offer a solution to the unfair and dangerous anomaly of a Government-owned enterprise engaging in direct competition with private capital. The solution of the railway problem on fair and sound lines will produce benefits to Canada far in excess of mere operating savings. The Canadian Pacific, in complete co-operation with the Canadian Government—for that is what unification means—can achieve infinitely more for the future welfare of Canada than can the two railway systems separately within the present working limits of their statutory authority.

Until a sound solution of Canada's railway problem is evolved —and it seems incredible that this will long be delayed—the future prospects of your Company must be viewed with guarded optimism. However, with the favourable turn in the world wheat situation which would appear probable, and a return of normal climatic conditions in the southern prairies, I believe we may look forward with confidence to steady progress towards recovery from the effects of drought and the protracted depression, which have been accentuated by the competitive conditions to which reference has been made.

The numerous re-organizations and economies which your officers have instituted to meet the drastic traffic decline of recent years will carry forward into the future with beneficial results. There are many indications that the nation's productive organization has been strengthened, and moderate traffic increases should result. As stated, the clouds which have hung over the Canadian grain situation seem to be clearing up somewhat, and it is unthinkable that Canada will not continue to provide a measurable proportion of the world's grain requirements. The situation persists, however, that in a country where only 250 people are available to support each mile of railway there is not sufficient rail traffic to justify the maintenance of the present duplicate facilities and services. I cannot stress too strongly the necessity and desirability of Government policies being directed to the early return of a balanced budget and business confidence. Then only can a fair and reasonable return on the investments of your Company be permanently assured. The past railway policy of Governments has necessitated burdensome sacrifices, not only by those who have invested their savings in this Company, but also, indirectly, by all classes in the Dominion. Upon an adequate and sound solution of the railway problem will depend the ultimate standard of living of many thousands of the country's citizens.

The Report was unanimously adopted upon the following resolution which was moved by Mr. E. W. Beatty and seconded by Sir Herbert S. Holt, viz.:—

Resolved—That the report on the affairs of the Company for the year ended December 31, 1934, now submitted, be and the same is hereby adopted and that the expenditures on capital account reported and recommended therein be and the same are hereby approved and authorized.

The following resolution relating to an agreement providing for the use by the Canadian National Railway Company of that portion of the line of this Company between Dorval, Quebec, and Windsor Station, Montreal, in connection with the operation of passenger pool trains was submitted, and, on motion of Mr. W. B. Blackader, seconded by Mr. James S. Costigan, was unanimously adopted, viz.:—

Resolved—That the agreement, dated March 9, 1934, between this Company and the Canadian National Railway Company, whereby the Canadian National is given the right to use that portion of the line of this Company between Dorval, Quebec, and Windsor Station, Montreal, in connection with the operation of the passenger pool trains between Montreal and Toronto, be approved and the execution thereof by this Company be and is hereby ratified.

The following resolution relating to an agreement with the Canadian National Railway Company for the amalgamation of the freight and passenger facilities and staffs of both companies at Fredericton, New Brunswick, was submitted, and, on motion of Mr. Arthur Terroux, seconded by Mr. M. C. Oswald, was unanimously adopted, viz.:—

Resolved—That the agreement, dated March 1, 1934, between this Company and the Canadian National Railway Company providing for the handling of all freight traffic at Fredericton, New Brunswick, by a joint staff on the freight facilities of the Canadian National, the cost of operation being divided on a tonnage basis, and the handling of all passenger traffic by a joint staff at this Company's station, each Company bearing one-half the cost of operation and the agreement being subject to termination by either party at any time after the expiration of one year, on six months' notice in writing, be approved and the execution thereof by this Company be and is hereby ratified.

The following resolution authorizing further agreements between this Company and the Canadian National Railway Company, was submitted, and, on motion of Sir Frederick Williams-Taylor, seconded by Mr. Randall Davidson, was unanimously adopted, viz.:—

Resolved—That the President and Secretary be and they are hereby authorized to execute on behalf of this Company agreements with His Majesty the King and/or the Canadian National Railway Company in the form of the drafts submitted to this meeting with such changes in conformity with the provisions of the Canadian National-Canadian Pacific Act, 1933, as may be approved by Counsel, in the following cases, that is to say:—

1. Agreement between this Company and the Canadian National Railway Company which Agreement, amongst other things, provides that the Canadian National is to abandon the operation of the line of the Stanstead, Shefford and Chambly Railroad Company between Iberville and Farnham in the Province of Quebec, and is to use jointly the line of this Company between the said points, paying such amounts and contributing such porportion of the cost of operation and maintenance of this Company's line as will result in an equal division of the net economy resulting from the abandonment; and which Agreement is to be executed by the Stanstead Company to indicate its consent.

2. Agreement between His Majesty the King and/or the Canadian National Railway Company and this Company, which Agreement, amongst other things, provides that this Company is to abandon the operation of the line of the New Brunswick Railway Company between Cyr Junction and Edmundston in the Province of New Brunswick, and is to use jointly the line of the Canadian National between the said points, paying such amounts and contributing such proportion of the cost of operation and maintenance of the Canadian National line as will result in an equal division of the net economy resulting from the abandonment; and which Agreement is to be executed by the New Brunswick Railway Company to indicate its consent.

The meeting then proceeded to the election of Directors, and on motion of Mr. E. W. Beatty, seconded by Rt. Hon. Lord Shaughnessy, the following resolution was unanimously adopted:—

Whereas, in pursuance of By-law No. 6, Colonel Henry Cockshutt, Sir Herbert S. Holt, Colonel F. S. Meighen, C.M.G., and Mr. Robert C. Stanley, Directors of the Company, retire from office at this meeting;

And whereas four Directors to replace the said retiring Directors, who are, however, eligible for re-election, must be elected at this meeting for the term of four years as provided for in the said By-law;

It is Resolved—That a ballot be now taken for the election of four directors for the term of four years to fill the vacancies created as above stated; that Lt.-Col. William A. Grant and Mr. William C. Finley be appointed scrutineers to take such ballot, and that the poll be closed when five minutes shall have elapsed without a vote being cast at such election.

The ballot having been taken and no further votes having been cast within the specified time, Lt.-Col. William A. Grant read the report of the Scrutineers, which declared that Colonel Henry Cockshutt, Sir Herbert S. Holt, Colonel F. S. Meighen, C.M.G., and Mr. Robert Stanley were elected Directors for the term of four years, and the report was adopted.

The proceedings then terminated.

Chairman.

E. Alexander

Secretary.

At a meeting of the Board held immediately after the Shareholders' meeting Mr. E. W. Beatty was re-elected Chairman and President of the Company, and Mr. D. C. Coleman, Vice-President, and the following were appointed the Executive Committee:—

Mr. E. W. Beatty,
Mr. D. C. Coleman,
Sir Herbert S. Holt,
Mr. W. N. Tilley, K.C.,
Sir Charles Gordon, G.B.E.,
Mr. W. A. Black.