CANADIAN PACIFIC RAILWAY COMPANY

REPORT OF PROCEEDINGS

AT THE

ANNUAL MEETING OF SHAREHOLDERS

MAY 5, 1937

CANADIAN PACIFIC RAILWAY COMPANY

REPORT

OF THE PROCEEDINGS AT THE FIFTY-SIXTH ANNUAL MEETING OF THE SHAREHOLDERS HELD AT MONTREAL ON WEDNESDAY, MAY 5, 1937

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, Sir Edward Beatty, G.B.E., 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, Sir Edward Beatty, G.B.E., in moving the adoption of the report on the affairs of the Company for the year ended December 31, 1936, which had been printed and distributed to the shareholders, said:—

The results of the Company's operations for the year 1936 have appeared in the press and in the annual report which has been distributed. The net earnings from railway operations showed an increase of $913,587; Other Income an increase of $2,053,027, and Fixed Charges a decrease of $246,639. The balance of Income Account available for transfer to Profit and Loss Account amounted to $6,029,183, an increase of $3,197,100. After taking into consideration the moneys advanced to the Soo Line during the year to make up the deficiency in the amount which it had available to meet its interest obligations guaranteed by your Company, your Directors decided to declare a dividend on the Preference Stock of one per cent. for the year 1936 payable April 1.

The principal adverse factor affecting the results of the year was the continuance of widespread drought conditions in Western Canada and in the northwestern United States, which resulted not only in reduced earnings from grain and grain products, but also from many other sources. It is probable that few people have fully realized the extent of the losses in revenue to your Company which are directly or indirectly attributable to the unfavourable crop conditions of recent years.

The following statement of grain handlings of the Canadian Pacific and Soo Line indicates the severity of the adverse agricultural conditions which have prevailed since 1930. The figures represent millions of bushels.

Year	Canadian Pacific*	Soo Line
1925	241	58
1926	226	35
1927	232	49
1928	370	56
1929	201	39
1930	175	39
Average 1925-1930	241	46
1931	149	22
1932	185	18
1933	160	21
1934	138	13
1935	142	18
1936	143	11
Average 1931-1936	153	17

*Government inspections Western Division.

Previous periods of drought have been followed by more favourable growing conditions. Experts hold that less than 10% of the soil of the drought areas has been seriously damaged. The world's visible supply of wheat has steadily declined during the last five years and is now less than in any year since 1923. The average farm price per bushel of wheat was higher in 1936 than in any year since 1929. There is, therefore, reason to expect that the traffic to and from the agricultural areas served by your Company will in the next few years exceed the average of the last few years. It is also to be expected that the agricultural traffic of the Soo Line will increase from the extraordinarily low level of 1936.

The position of each of the United States lines controlled by your Company was dealt with at some length at the last annual meeting. The principal factors affecting these lines in 1936 have been recorded in the annual report. Your Directors are continuing to give earnest consideration to the financial problems connected therewith.

One commentator in the English press suggested the probability that "losses on lines abandoned and on property retired and not replaced" would continue at recent levels. This is not likely unless more extensive line abandonments in co-operation with the Canadian National are undertaken than now appear probable. What-ever may be the amount of the aggregate write-off which appears under this caption, it should be regarded as the normal accounting recognition of surgical operations on the physical property of the Company carried out with the object of increasing net revenues. It has been considered unnecessary to make any allowance for such losses in determining dividend policy.

Notwithstanding the diminution in earnings from grain and grain products which has followed the poor harvest of the past season, the gross earnings of your Company for the first quarter of 1937 increased 8.1%. Net earnings increased 28.8%. Passenger earnings increased 5.6% and freight earnings increased 7.6%. Car loadings of pulp and paper increased 19.4%, lumber 32.0%, ore 26.4%, and manufactures and miscellaneous 26.0%. These increases are indications of the economic recovery which has been general throughout Canada, except in the construction trades and agriculture.

In the steamship services passenger bookings on the Atlantic, stimulated by the Coronation, have shown a considerable improvement. There has also been an increased demand for cargo space both eastbound and westbound. On the Pacific, traffic is being maintained at approximately the same level as a year ago. The "Empress of Britain" is to-day nearing the Panama Canal on the final leg of her world cruise. Again routed via the Mediterranean, her revenues have increased approximately to the level of 1935, the peak year for that service.

Following extended discussions, which began in 1935, formal notice was served in March, 1936, on behalf of employees of the Canadian Pacific and Canadian National Railways requesting a revision of the agreement governing the 10% deduction from basic rates of pay.

During the negotiations which ensued between representatives of the railways and the employees, the latter were insistent that the railways should undertake to discontinue entirely the deduction from basic rates of pay. In view of the fact that, even with the 10% deduction, the real wage of the employees was higher than at the close of 1931, when the deduction was put into effect, and that the estimated increase in the revenues of the companies was not sufficient to justify the additional expenditure, the railways considered that the employees' request was premature. They advised their employees accordingly and indicated that they were prepared to reduce the percentage of deduction in proportion to the improvement in operating revenue.

Having declined to accept the report of the Board of Conciliation which had been appointed to consider the dispute, the representatives of the employees of both railways submitted a strike ballot to the employees in which they were called upon to vote for or against a withdrawal from the service if a satisfactory settlement could not be obtained.

In March of this year, the negotiations were resumed, the employees' representatives demanding the entire discontinuance of the 10% deduction before the end of 1937 and stating that in default of this they would be obliged to carry out the mandate for withdrawal from the service which their balloting had given. These negotiations failed to bring about a settlement of the dispute, but after the intervention of the Minister of Labour an agreement was finally reached. Following the report of the Board of Conciliation the deduction had been reduced to 9%. Under the agreement the deduction was reduced to 8% April 1, and will be reduced to 7% June 1; 6% August 1; 5% October 1; 4% December 1; 2% February 1, 1938, and will be entirely discontinued from April 1, 1938.

In concluding the agreement on this basis, the railways took cognizance of the further improvement in traffic outlook, the more marked tendency towards a rise in the cost of living index, and the desirability of maintaining the stability of the railway labour situation over an extended period, in view of the prevailing disturbed labour conditions. Although the terms agreed to might be regarded as more generous than the railways should have been called upon to accept, it was considered that any interruption of the transportation system of the country at this particular juncture would do irreparable harm to Canada.

The new contributory pension system which became effective January 1, 1937, has continued to meet with the approval of the employees. From January 1 to April 30, 10,080 additional employees have elected to become contributors, bringing the total up to 41,680, or over 80% of the eligible employees.

In 1936 your Company celebrated the Golden Jubilee anniversary of the running of its first transcontinental train—the train which was the symbol of the consummation of Canadian unity. On June 28, following a re-enactment of the ceremonies which had taken place fifty years previously, a special Jubilee train pulled out of Montreal for Vancouver. It was greeted at all important terminals by representative authorities, and as befitted an event of national importance, its passage was the occasion for enthusiastic demonstrations from coast to coast. To commemorate the arrival of the first train at Port Moody, the original locomotive hauled cars of the early type into the station, and the townspeople turned out in the costumes of the 'Eighties to welcome it. The volume of expressions of goodwill and commendation received from all quarters of the globe unmistakably signifies that during the first fifty years of its operation the Company has faithfully discharged the obligations assumed under its Charter. Fortified by this record, the Company looks forward to the future with confidence.

The Jubilee year was marked by another important event in the introduction of lightweight air-conditioned trains of new design. After extensive trial runs and exhibitions at the more important stations throughout Canada, four such trains were put into operation, two in the Montreal-Quebec service and one each on the Toronto-Detroit and Calgary-Edmonton runs. The trains have proved both economical and popular.

Financed principally by means of an issue of Equipment Trust Certificates redeemable over a period of fifteen years, a comprehensive programme to improve rolling stock is being carried out in 1937. Fifty new locomotives have been ordered. Twenty of these are to be of the light, semi-streamlined Jubilee type, similar to those purchased in 1936. Thirty are to be of the Hudson class, which can be used in either heavy passenger or fast freight service—a flexibility which will reduce costs.

The passenger cars ordered comprise two baggage, five mail and express, twenty-two coaches and one parlour car. The cars are of the new design and light construction similar to those purchased last year but ten feet longer. The passenger carrying cars will be air-conditioned.

The year's programme includes the air-conditioning of 141 additional passenger units. Upon completion, sleeping, parlour and dining cars so equipped will be available for use in the more important services. Tourist cars and coaches so equipped will be available for transcontinental service, and will, it is hoped, increase the volume of long distance travel in Canada.

The new freight units ordered consist of one hundred gondola, five hundred coal, and three thousand box cars.

No effective steps have yet been taken to eliminate the anomalies that exist to such a marked degree in the transport situation of this country. The Canadian railways, which are subject to strict regulation, are still exposed to the unrestrained competition of other forms of transport both by highway and water. The commercial motor vehicle continues to be subsidized jointly by the taxpayers at large and the owners of private pleasure vehicles. Shipping, particularly on the Great Lakes and connecting waterways, is still permitted to operate with no regulation of rates and without any contribution to the tremendous capital and maintenance cost of these waterways. To meet this competition, your Company has speeded up its train schedules, inaugurated pick-up and delivery services, increased the use of motor vehicles in conjunction with its rail services, and made numerous rate adjustments.

With a view to correcting the anomalies referred to, the Dominion Government introduced into the Senate at the last session a bill entitled "The Transport Act, 1937." This bill contained many features designed to bring about stability of rates and equality of competitive conditions as between railway, water, highway and air services. After being reported by the Committee on Railways, Telegraphs and Harbours, before whom interested parties appeared, the bill was defeated in the Senate on third reading. It was perhaps not to be expected that a measure so comprehensive in character and affecting such a wide variety of interests would be free from criticism. A clash of sectional interests is not unusual in a country as large as Canada. It is, however, to be hoped that these sectional differences will be overcome and that some measures designed to solve this very pressing and important problem will be adopted without undue delay.

During the past session of Parliament, a measure to incorporate the "Trans-Canada Air Lines" was enacted. This will provide a Canadian transcontinental air service under government auspices. The new company is capitalized at $5,000,000 with majority stock control vested in the Canadian National Railways. In the early stages, a plan was discussed under which the government-owned railway and your Company would each share equally in the enterprise. Later, however, notwithstanding that each of the railway companies was to provide one-half of the capital for the new company, the government proposed that three directors be selected by the government, three by the Canadian National, and three by the Canadian Pacific. After serious consideration, it was felt that it would not be in the interest of your Company to join in the operations of the new company unless it could do so as an equal partner; that its voice in the management should be in keeping with its share of capital investment and not, as was suggested, that it should be responsible for providing 50% of the capital required, with only a minority representation on the Directorate.

Another act passed during the recent session of Parliament which is of interest to Canadian Pacific shareholders is the Canadian

National Railways Capital Revision Act. By statute the Canadian National Railway System is to be relieved of the necessity of showing in its balance sheet the bulk of its liabilities to the Dominion Government and annual interest charges of some $35,000,000 will not be included in its income statement. The investment of the Dominion in the System still represented by assets, amounting at December 31, 1936, to $676,000,000, is in the future to become a non-interest bearing "Proprietor's Equity." Governments which borrow at fixed interest rates and invest such funds in equities which offer no prospect of return are merely granting hidden subsidies not in keeping with sound public finance. Under the provisions of the Act, the cumulative deficits of the System will no longer be recorded in its balance sheet. To the end of last year the total contributions of the Dominion to meet the losses of the System, apart altogether from unpaid interest charges on the capital invested therein by the Dominion, amounted to more than $658,000,000. For nearly two decades your Company has been faced with the problem of competing in practically every part of Canada with a government-owned railway system, the continued operation of which has been possible only through such enormous contributions from the public treasury.

Included in the Canadian National Railways Capital Revision Act is a provision that there shall be set out annually as an appendix to the Public Accounts of Canada a detailed statement of assistance given to all railways. In view of the variety of forms such assistance has taken and the differing conditions under which it has been granted, it will be a difficult task to establish and set forth a proper record of the facts. The work will involve a searching examination of much historical material, but, if well done, should produce a valuable source of information.

Many misleading statements have been made as to the nature and extent of the contributions of the Dominion towards the construction of the Canadian Pacific Railway and such contributions are often compared improperly with the outlays of the Dominion in connection with other Canadian railways. Because of the widespread dissemination of these statements, it is desirable to place on record the essential facts.

One of the basic conditions under which the Province of British Columbia entered Confederation in 1871 was that the Dominion Government should provide a transcontinental railway. The pertinent section of the agreement reads:

"The Government of the Dominion undertake to secure the commencement simultaneously, within two years from the date of the union, of the construction of a railway from the Pacific towards the Rocky Mountains, and from such point as may be selected east of the Rocky Mountains, towards the Pacific to connect the seaboard of British Columbia with the railway system of Canada; and further, to secure the completion of such railway within ten years from the date of union."

At that time the following resolution was passed by the House of Commons:

"*Resolved*, that the Railway referred to in the Address to Her Majesty concerning the Union of British Columbia with Canada, adopted by this House on Saturday, the 1st April instant, should be constructed and worked by private enterprise, and not by the Dominion Government; and that the public aid to be given to secure that undertaking should consist of such liberal grants of lands, and such subsidy of resources of the Dominion, as the Parliament of Canada shall hereafter determine."

Pending completion of negotiations with private syndicates, the Dominion Government undertook extensive surveys. In negotiations with a syndicate headed by Sir Hugh Allan, the government offered to contribute thirty million dollars in cash and fifty million acres of land towards the construction of the railway, but the proposal was abandoned when it was revealed that capitalists identified with the Northern Pacific were backing him. The Conservatives resigned office, to be replaced by a Liberal Government, which (according to Sir Alexander Campbell, speaking in the Senate on February 3, 1881) was prepared, in 1874, to offer $27,970,000 in cash, $20,977,500 under a 4% guarantee, and a land subsidy of 55,940,000 acres to private enterprise willing to undertake construction. Eventually, however, Hon. Alexander Mackenzie, the Liberal Premier, decided to proceed with construction as a government enterprise.

Progress was slow, and nothing was done to implement the promise to construct the railway from the Pacific towards the Rocky Mountains, so that when Sir John A. Macdonald returned to power in 1878, he realized that action must be taken to prevent a threatened secession of British Columbia from Confederation. The result was that a contract was let to Andrew Onderdonk for construction in that Province. In 1879, Parliament by resolution appropriated 100,000,000 acres of land, from the proceeds of which it was hoped to finance construction.

Sir John A. Macdonald soon realized that building a railway meant much more than the construction of a roadbed. It involved also heavy expenditures for equipment and maintenance, and cost much more as a government enterprise than under private auspices. The report of the Royal Commission, which in 1882 investigated this cost, stated:

> "That the construction . . . was carried on as a Public Work at a sacrifice of money, time and efficiency. That . . . numbers of persons were employed . . . who were not efficient . . . having been selected on party grounds . . .. That large operations were carried on . . . with much less regard to economy than . . . in a private undertaking . . .. That the system under which the contracts were let was not calculated to secure the works at the lowest price or the earliest date . . ."

Finding the burden of financing construction too great a drain on the Treasury, Sir John went to England, hoping to secure aid either from the Grand Trunk or the British Government. The Grand Trunk directors at that time declared themselves opposed to promoting a transcontinental railway through Canadian territory, and the British Government also declined assistance. Sir John then turned to George Stephen, President of the Bank of Montreal, whom he persuaded to form a syndicate to take over the completion and operation of the Canadian Pacific transcontinental line. The opinion in banking circles at the time was that the syndicate was coming to the rescue of the government. A letter in the Canadian Archives from George Stephen to Sir John A. Macdonald, dated September 27, 1880, describes the proposed contract as one "which my *friends* and my *enemies* agree in affecting to think will be the ruin of us all." This contract was executed on October 21, 1880.

The preamble to the Act of February 15, 1881, ratifying the contract, reads as follows:

> "*Whereas* by the terms and conditions of the admission of British Columbia into Union with the Dominion of Canada, the Government of the Dominion has assumed the obligation of causing a Railway to be constructed, connecting the seaboard of British Columbia with the Railway system of Canada;
>
> "*And whereas* the Parliament of Canada has repeatedly declared a preference for the construction and operation of such Railway by means of an incorporated Company aided by grants of money and land, rather than by the Government, and certain statutes have been passed to enable that course to be followed, but the enactments therein contained have not been effectual for that purpose;

"*And whereas* certain sections of the said Railway have been constructed by the Government, and others are in course of construction, but the greater portion of the main line thereof has not yet been commenced or placed under contract, and it is necessary for the development of the North-West Territory and for the preservation of the good faith of the Government in the performance of its obligations, that immediate steps should be taken to complete and operate the whole of the said Railway;" etc.

The terms agreed upon were that the company undertook to complete the transcontinental railway by May 1, 1891, and to "thereafter and for ever efficiently maintain, work and run the Canadian Pacific Railway" in consideration of which the government agreed to contribute to the Company $25,000,000 in cash, 25,000,000 acres of Crown lands, and the lines already constructed or under contract totalling 713 miles, together with certain customs and tax concessions.

During construction, almost insurmountable obstacles were encountered and at times it appeared that the venture could not succeed. Some of the Directors were compelled to give their personal guarantees for large amounts to save the enterprise from collapse. It was such determination that pushed the railway to completion five years ahead of the contract date.

Having completed the main line, the Company proceeded, to the extent of its resources, to open up the contiguous territory. In doing so, it received relatively small sums towards the construction of certain branch lines. The Crow's Nest Pass Line, built in 1897, is an instance. In this case, while the Company received $3,404,720 towards the cost of construction of the line, it agreed among other things to reduce rates on grain and flour to Fort William and points east. The maintenance of these rates in the face of the heavy increases in the costs of labour and materials which have since occurred has involved a loss to the Company amounting to many times the grant received. Unquestionably, such contributions to branch line construction as were received were made by public authorities with the express object of encouraging the Company to extend its services well in advance of the time when it would otherwise have been justified in proceeding with construction. In such instances, the public's contribution to the railway has been but a fraction of the railway's contribution to the development of the country.

Certain aid towards construction was also granted to railways which were subsequently acquired by this Company. Such aid was received, not by the Canadian Pacific Railway Company, but by the owners who built these lines.

The late Lord Shaughnessy, in his address to the shareholders at the annual meeting in 1918, stated that the land grant "is a source of serious anxiety to financial doctrinaires who have only half studied the subject." Unhappily this same condition continues.

Many ignore the fact that the government merely transferred the title to land of little immediate worth to gain important public ends. Some have endeavoured to estimate the value of the land to the Company on the basis of the gross selling prices established years later. This is manifestly improper. The Company actually gave the land its commercial value, a value which was also imparted to all other lands tributary to its lines. From the outset it has followed the broad policy of developing western Canada as quickly as possible. It may be stated without fear of contradiction that the Company's expenditures for colonization, land settlement, irrigation, and other similar works have been substantially in excess of those of the Dominion of Canada and that the country has received great benefit from the wise settlement and development policies pursued by the Company.

During construction, the Dominion assisted to a certain extent in the financing of the Company. In 1883, in the hope of improving the Company's credit abroad, an arrangement was made with the government to assure the payment of a dividend on the Company's capital stock of 3% per annum for ten years. Under this arrangement the Company deposited with the government $8,710,240 in cash and $8,250,000 in securities, the latter to secure the payment by the Company by 1888 of $7,380,912, the balance of the fund necessary to provide for the dividend. Owing to depressed financial conditions, it was found possible to dispose of only a small amount of stock and the Dominion in 1884 and 1885 made loans aggregating $21,650,700, secured by a first lien on the entire property, to enable the Company to complete the construction of its main line. The two obligations to the government referred to, aggregating $29,031,612, were paid in full with interest by July 1, 1886. Two temporary loans were made by the Dominion; one in 1882 for $500,000, and the other in 1885 for $5,000,000—in each case for a few months only and repaid with interest before the end of the year in which it was made.

In 1888, in order to assist in raising money for further capital expenditures and in consideration of the waiver by the Company of one of the provisions of the original contract, the Dominion guaranteed the interest on an issue of $15,000,000 Fifty Year 3½%

Land Grant Bonds secured on the unsold acreage of the grant. The Company regularly met the interest on these bonds until July, 1906, when, in accordance with the option available under the original arrangement, the Company deposited with the government the balance of moneys required for their redemption.

In 1933, when the money markets of the world were closed to private financing, the Dominion guaranteed a five year loan of $60,000,000 from Canadian banks to the Company, which was primarily secured by a deposit of $100,000,000 of the Company's debenture stock. This loan was repaid in full and the guarantee discharged by 1936.

All these transactions were undertaken in the public interest and the Dominion was amply secured against loss in every case. All the loans were repaid with interest, and all the guarantees were discharged without any expense whatsoever to the Dominion.

Because, in the past, interest was charged on certain loans made under statutory authority to component parts of the Canadian National Railways, it was recently suggested in several quarters that to arrive at comparable figures interest should also be computed on contributions made by the Dominion towards construction of the Canadian Pacific. The impropriety of this suggestion should be obvious. The amounts paid by the government to the Canadian Pacific were all contributions towards construction made in consideration of definite contractual obligations on the part of the Company which it faithfully performed. While there may be certain items of government expenditures in connection with other railways which may be fairly compared with the contractual payments made to this Company, no reasonable parallel can be drawn between such contributions towards construction and loans bearing interest or contributions to meet deficits in operation such as constitute the principal part of the assistance extended to the Canadian National Railway System.

In discussing the contributions to the Canadian Pacific, the Drayton-Acworth Report of 1917 stated "the people of Canada, in our view, have had good value for their money." When the Canadian Pacific Railway Company was incorporated, Canada was little more than a geographical expression and the population west of the Great Lakes did not exceed 170,000. With the completion of the Company's main line, the country became a united nation. It may be confidently asserted that no other contract ever entered into by the Dominion has produced a return to it in any way comparable with that received as a result of the original agreement with the Canadian Pacific Syndicate.

I hope we have heard the last of these misleading contentions, made in some cases deliberately by those who know, or should know, their inaccuracy.

During the year, the Imperial Shipping Committee concluded its investigation of competitive shipping conditions on the Pacific between North America and Australia and New Zealand. It reported that the services at present provided by the Canadian-Australasian Line, if they are to be continued, must be brought up to the standards established by its competitor. It was further stated that new vessels, which would fulfil the required standard, might well succeed in developing sufficient traffic to preclude operating losses. At the same time, the report made it clear that, in view of the subsidized competition, private capital could not be expected to finance the venture without assistance. Imperial considerations are involved in the maintenance of a British service between these British Dominions, and it is understood that representatives of the countries directly concerned will shortly meet to consider the future of these services.

It is gratifying to note that the foundation for better business conditions in Canada seems to have been laid. An increasing volume of industrial activity is absorbing unemployed workers. Increased prices for farm products have improved the agricultural outlook. The export market is apparently ready to accept our surplus of agricultural and industrial products.

However, the future welfare and business prosperity of the Dominion depend in large measure on the soundness of the fiscal policies of our several governing authorities. There is as yet no certainty that economic waste, such as that now evident in connection with relief and railways, will be terminated as rapidly and as firmly as the necessities of the case demand. Only too often is the suggestion made that the increasing volume of business will itself provide the remedy. There has been some genuine economic improvement and there is reason to hope that there will be more, but it would be unwise to plan our public affairs on the assumption of a continuing advance in business activity. It was the failure to realize this that permitted the boom conditions of a few years past which terminated in the great depression. Strong action on the part of all governmental authorities—federal, provincial, and municipal—will be required to curb the relief expenditures which are tending to increase despite returning prosperity. A solution of the tangled railway problem is still most urgently required. The serious note of warning with which the Duff Commission concluded its report is being ignored. The tremendous waste involved in the operation of duplicate services, which that Commission hoped to eliminate, continues. A solution which could be adopted to the great advantage of the taxpayers and without injury to employees or railway patrons is widely accepted as logical and desirable; however, it awaits political sponsorship.

There are arguments for unusual expenditures of public funds to meet an economic emergency. It is, however, obviously unwise to treat as unusual and to meet by borrowing those expenditures, such as relief and railway deficits, which may be expected to continue even if ultimately in smaller amounts. This may have been necessary in recent years, but under improved conditions such as now exist, there should be no further excuse for additions to public debts to meet what have unfortunately become regular operating charges of public institutions. In fact, not only should all such charges be met from current income, but a start should be made in liquidating part of the tremendous additional burden built up during the depression.

Your Directors will continue their efforts to conduct the affairs of your Company economically with due regard to public requirements; to co-operate with the governments and other enterprises towards the abolition of wasteful practices, and to take advantage of improving business conditions. It is their earnest desire that the trend towards increased revenues now discernible will steadily continue so that the resumption of reasonable dividends on the capital stocks of the Company may be expedited. The success of their efforts will, however, in the end depend in large measure on general economic conditions in the Dominion, and these, in turn, will be affected in no small degree by the manner in which the public authorities deal with the problems confronting them.

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

Resolved—That the Report on the affairs of the Company for the year ended December 31, 1936, 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 the lease of the railway of the Atlantic and North-West Railway Company to this Company was submitted, and, on motion of Mr. Malcolm Oswald, seconded by Colonel E. M. Renouf, was unanimously adopted, viz.:—

Resolved—That the Company do lease from Atlantic and North-West Railway Company for a term of 999 years from the first day of January, 1937, the whole of that portion of the railways and branches which that Company has been by law authorized to construct or acquire, extending from the point of connection between the railway of Atlantic and North-West Railway Company and the railway of the Ontario and Quebec Railway Company on the south bank of the St. Lawrence River, near Montreal, to Farnham, 35.74 miles in length, and from Brookport (formerly Brigham Junction) to a point of junction with the Maine Central Railway at or near Mattawamkeag, in the State of Maine, 285.67 miles in length, and all such branches and additions to the railways above described as Atlantic and North-West Railway Company may be hereafter authorized to construct by the Board of Railway Commissioners under the provisions of the Railway Act, together with the appurtenances thereof, at a clear annual rental of £52,000, being equal to the annual interest on £1,300,000 Four per cent. First Mortgage Redeemable Debenture Stock issued by Atlantic and North-West Railway Company under a mortgage of the said line of railway dated December 2, 1936, and maturing January 1, 1957, the payment of the principal of and the interest on the said Debenture Stock being by the terms of the said mortgage guaranteed by this Company; with a proviso in the said lease that after redemption of the said Debenture Stock the annual rental payable under the lease shall be equivalent to the annual interest on the bonds, debentures, debenture stock or other securities of Atlantic and North-West Railway Company from time to time outstanding; the said lease to be in the form of the draft now submitted to this meeting, endorsed by the Secretary for the purpose of identification and to supersede this Company's present lease of the said line of railway made the 6th day of December, 1886, under which this Company is obligated to pay a rental of £66,500 per annum in perpetuity.

And it is further resolved—That the President and Secretary be and they are hereby authorized to execute the said lease on behalf of and under the Corporate Seal of this Company, with such verbal changes as they may deem proper, but not altering the substance thereof as above described.

The following resolution relating to an agreement with the Midland Railway Company of Manitoba, providing for the use by that Company of a portion of this Company's line in the City of Winnipeg was submitted, and, on motion of Mr. F. H. Hopkins, seconded by Mr. Alister F. Mitchell, was unanimously adopted, viz.:—

Resolved—That the Agreement, dated October 1, 1935, between this Company and The Midland Railway Company of Manitoba, whereby the Midland Railway Company is given the right to use that portion of the line of this Company in the City of Winnipeg from a point South of Academy Road to a point North of Portage Avenue, be approved, and that the execution thereof by this Company be and the same is hereby sanctioned and ratified.

The meeting then proceeded to the election of Directors, and on motion of Mr. S. M. Baylis, seconded by Mr. W. D. Blackader, the following resolution was unanimously adopted:—

Whereas, in pursuance of By-law No. 6, Sir Edward Beatty, G.B.E., Mr. John W. McConnell, Rt. Hon. Lord Shaughnessy, K.C., and Hon. J. Marcelin Wilson, Senator, 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 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 Sir Edward Beatty, G.B.E., Mr. John W. McConnell, Rt. Hon. Lord Shaughnessy, K.C., and Hon. J. Marcelin Wilson, Senator, were elected Directors for the term of four years, and the report was adopted.

The proceedings then terminated.

Chairman.

Secretary.

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

Sir Edward Beatty, G.B.E.,
Mr. D. C. Coleman,
Sir Herbert S. Holt,
Mr. W. N. Tilley, K.C.,
Sir Charles Gordon, G.B.E.,
Mr. Ross H. McMaster.