

The advantages of Railway transit being simply a question of cost, it follows, that where the transshipment can be made direct from the Railway to the ship and *vice versa*, the saving in time and in terminal charges alone at Quebec and Portland, with no break of gauge throughout, as against the New York and Boston lines, must settle the point as far as the through Railway transit to the Western States is concerned; and this equally applies to the River and Lake transit by the St. Lawrence as compared with the United States Canals.

The Directors trust that ere long the Legislature will take steps to improve the natural advantages which the Rivière du Loup presents for forming a Harbour for the fishing craft which the valuable fisheries of the St. Lawrence so much require; a naval depot at this point would also be a protection to shipping in distress, and with the additional Lighthouses about to be erected do much to diminish the risk of the Navigation and with it lower the premium of Insurance on sea-going ships.

When the Grand Trunk Railway is finished, Quebec, Portland, Montreal, Kingston, Toronto, Hamilton, London, Detroit, Sarnia, Collingwood, Peterboro' and Ottawa will be connected by railway without a break, and as a commercial enterprise your Directors feel confident that it will ultimately fulfil all the expectations which have been entertained of it. With regard to that portion below Quebec which forms part of the Inter-Colonial chain of Railroad originally contemplated, your Directors entertain the most sanguine hopes, confidently believing that no lengthened period can elapse ere the New Brunswick Government will have run its road to the frontier, and one unbroken line of communication will have been effected between the Western waters of Lake Huron and the South-eastern extremity of Nova Scotia.

With reference to the anticipated traffic in the other sections, the Directors fully believe that the arrangements which have been made will be amply sufficient for some time to come, and the Capital Accounts annexed have been prepared in such a detailed form that reference can be readily had and particulars obtained as to the total cost of each of the several sections.

In the report recently issued by the London Directors to the Stockholders, the latter were informed that the Directors, coinciding with the Government of Canada, deemed it of great importance that they should be in possession of a Report from an Engineer of high standing, wholly unconnected with the previous operations of the Company, upon the construction of the Railway, the character of the works and the quality of the Rolling Stock supplied under the contracts. The gentleman appointed for the purpose was Mr. Charles Hutton Gregory, C. E., and after a careful examination of all matters embraced in his instructions during a two months' sojourn in the Province, he has made an elaborate Report, a copy of which is now in course of transmission to every Shareholder.

Owing to the restrictions contained in the Relief Act of 1856, with respect to the application of the Two Millions preference Bonds to specific objects, it is necessary to obtain the sanction of the Shareholders to raise further capital, and the published notice convening the meeting asks for the concurrence of the Shareholders to an increase of the capital by Two Millions of pounds sterling to meet existing liabilities, and for additional rolling stock, station and other accommodation, amounting in the aggregate to £1,184,226.

It is only intended, however, to issue an amount not exceeding £1,500,000, the balance of £500,000 being intended to be in substitution of the C. Debentures created last year, and which will be cancelled.

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