

been worked with general safety, great punctuality and despatch. The train service has been economically and efficiently administered, and although the mileage of Trains and Engines has increased in 1863 by 12,325 miles on a reduced tonnage of 17,037 tons of freight transported, the excess may be accounted for by the preponderance of Local to Through Freight, the latter always tending to the best averages in those items.

In their last Annual Report, the Directors, in referring to the extraordinary fluctuations in the value of American currency (which were not compensated for by an equivalent advance in rates), and to the consequent risks and losses to which all operations, under contract engagements, in that currency, had been subjected during the year 1862, announced the adoption of a policy by which the Through Traffic of the Line, during 1863, should be restrained within safer and more manageable limits.

That policy, arrived at after very mature and anxious deliberation, based as it was on the adoption of a profitable minimum of rates payable in Canadian currency, and the avoidance of Season Contracts, although it has resulted, as was expected, in a reduction of the gross earnings from that source, has fully justified itself as a measure of economy; for to it may partly be attributed the augmentation in net revenue which so favourably marks the transactions of the year; indeed, the wisdom of such a course becomes especially apparent on reference to the items of "Interests and Discounts" and "Damages" (see Appendix J); for whilst the former, chiefly consisting of exchange on American currency, amounted in 1862 to \$22,596 92, in 1863 it was reduced to \$2,005 72; and the latter, which, in 1862, was \$8,496 58, fell in 1863 to \$2,616 13, showing in these two incidental items of "Working Expenses" a saving in 1863 of \$26,471 60 (£5,439 7s. 5d. stg.).

It is, perhaps, one of the most valuable characteristics of this Line that its geographical position and trade connections are such as to admit of the extension or restriction of its operations in the Western Traffic, as the circumstances of that traffic, whether favourable or otherwise, may dictate. It remains, therefore, quite open to the Company to re-engage in the American Carrying Trade whenever its operations are of a less fluctuating and hazardous character.

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