to say, that for a considerable period of the half-year a very valuable portion of our traffic had to be carried at only 25 per cent. of the rates which were in force in the year previously.

"From the west the reduction was not so great, but it averaged from 15 to 25 per cent., and of course upon the much larger quantity of business moved from the west to the east, it inflicted a very serious loss indeed upon our gross receipts. Cattle rates were also largely reduced. The usual rates per car from Detroit to Buffalo are $35 to $40. During the large part of last half-year they were from $10 to $12 a car.

"We have carried an increased tonnage of close upon 18 per cent. in weight, and with proper and reasonable rates that increased tonnage ought to have given us at least £30,000 more gross money than it did—all of which would of course have been profit.

"The same general statement applies to passenger traffic.

"Early in the season, the quarrels between the great New York lines forced a reduction in the passenger fares between Boston and Chicago from $24 to $18, or 25 per cent.

"Those rates have remained low during the whole of the busy period of the half-year ending 30th June, 1870."

It would thus appear that the Company have lost during the half year as much as £30,000, not of gross receipts, but of net profit, principally by the unfortunate competition which has existed between great American lines, and partly by the low prices of produce, and the Fenian invasion of May and June also caused an interruption of business for a considerable length of time.

The aggregate expenses for the half-year, including renewals, amounted to £559,702, or 79.43 per cent. of the receipts, as against 79.01 per cent.; and excluding the renewals, the ordinary working expenses were 69.96 per cent. of the receipts, against 67.59 per cent. for the corresponding period of 1869. The excess expenditure of the half-year was £36,963, of which sum about 40 per cent. is chargeable to the locomotive and carriage departments, 33 per cent. to the traffic department, and the remainder to hire of rolling stock. This excess is due to extra mileage for the greater amount of traffic carried, the engine mileage having thus been increased by 189,955 miles and the car mileage by nearly 3,000,000 of miles. The expenses of the traffic department were unavoidably increased in like manner, partly for the service of this extra mileage, but partly also by the outlay for extra watchmen and precautionary measures rendered necessary at the time of the Fenian invasion for the protection of the railway. The unfavorable comparisons of the percentages of working expenses between this half-year and the corresponding half-year of 1869, are therefore due principally to the low rates and fares which have prevailed. It will be observed, on the other hand, that in the charge for maintenance of way there is a reduction of £5,292, arising, in spite of the extra traffic, from the improved condition of the road.

The number of miles of railway relaid with new iron in the half-year was 49 miles, the number of new ties put into the track was 29,973, and 33,836 cubic yards of ballast were laid upon 20 miles of railway. The steel rails sent out this year are in course of being laid in the railway west of Montreal, and they will all be in the line before the winter sets in. The accounts received thus far of these steel rails are very satisfactory, and arrangements are in progress for an additional supply of 6,000 tons for next season.

The loss upon the conversion of the receipts in American currency, is less than it has been since June, 1863, and there is every reason to hope, not only that this reduction will be permanent, but also that this item will disappear altogether at no distant period, from the Company's Accounts.

The items charged as additions to capital during the half-year are fully set forth in the accounts, and explain themselves. Out of the total balance of £50,614, there is a sum of £37,833 for the completion of the payment for the new engines purchased in Glasgow, and another sum of £9,190 for the balance of the purchase money of the Toronto Rolling Mill.

The construction of the Intercolonial Railway is being pushed forward with vigor, the whole line being now under the contract, and the progress already made, leaves little doubt that portions of it will be opened next year, and the remainder by the end of 1872. The Commissioners have already advertised for tenders for 40,000 tons of steel rails, and are otherwise building the railway in a substantial manner, with a view to its occupying, in connection with the Grand Trunk system, a prominent position amongst the great "through routes" between the Western States and the Atlantic Ocean.

In pursuance of the powers conferred by a clause inserted for the purpose in the Canadian Act of Parliament which was passed during the last session (for confirming the agreement with the Buffalo Company) the Directors have entered into an agreement with the International Bridge Company for the lease for 999 years of their bridge and all its appurtenances, as well as for the assignment of all the tolls, rights, powers and and franchises of the Bridge Company, upon payment by the Grand Trunk Company of an annual sum of £20,000, about £16,000 of which constitute rent, and the remaining £4,000 sinking fund for the redemption of the capital. This sum will be paid by half-yearly instalments, to commence from the 1st day of January, 1872, by which date the bridge is contracted to be opened for traffic. The progress already made, and which was secured by the loan of £20,000 authorized to be made to the Bridge Company at the meeting held in April last, is satisfactory, and the whole of the work intended to be carried out this year is in an advanced state. Upwards of £50,000 will probably be expended by the close of the present year, and the Directors hope to be in a position to lay before the proprietors, at the approaching half-yearly meeting, the proposals for raising the bridge capital.

The Directors have to express their deep regret at the death of Mr. Morland, the late Canadian Auditor, who was for many years a faithful servant to the proprietors. It appeared to the two remaining Auditors that efforts should be made to procure in Canada for the last half year's accounts, the services of a gentlemen of commercial eminence and independence, and accordingly, with the concurrence of the Board, application was made to the Bank of British North America to permit their manager at Montreal, Mr. Hooper, to act *pro tem.*, as Auditor in Canada, and he writes as follows to his London Coilegues:—

"I have made a special audit of the Grand Trunk Railway Company's accounts for the half year which ended on the 30th of June last:

"I have given an official certificate of the correctness of the accounts, and I only desire to add, for your information, that I have gone through all the books of the Company here, and that every facility has been accorded to me during the period of my examination and investigation by the Company's officers, and all desired information and requisite assistence freely given.

"The books are well kept, and as closely written up as the nature of the work will permit, and the constituted checks on the accounts I consider to be well devised and efficient, and regularly observed by the officers.

"The system adopted of paying all liabilities by cheque on the authority of a warrant duly signed, as well as that of deposit being made direct by the Company's cashiers themselves to the credit of the Company with its bankers, are fundamental safe-guards of a most important character.

"The stock books, account of stores, stationery &c., accounts between departments, and the periodical returns from stations, appear to be all in order, and the various checks in regard to them well calculated to prevent irregularity."

The Directors have watched the working of this half-year with anxiety, and have considered its results with the greater care, because they believe the present to be an important crisis in the history of the undertaking. They have, with the assistance and co-operation of the proprietors, done all that was possible in restoring the credit of the Company, in paying off the debts and liabilities by which it was embarrassed in previous years, in improving the condition of the permanent way and rolling stock, and in adding liberally to the plant and buildings. They have thus been able to perform far more than appeared to anyone to be possible twelve months ago; and after concluding a permanent agreement on fair terms with the Buffalo Company, they hoped for a great and immediate improvement, not only in the gross receipts, but also in the net profits of the undertaking. The former they consider to be of no importance, excepting in so far as they contribute to the latter; and an increased return to the proprietors is the primary object which they have kept and will keep steadily before them. They have up to the present time experienced much disappointment. The increase in the gross receipts, as compared with the corresponding half-year of 1869, has been only £29,946; and the increase in the net receipts only £12,384. These are results very different from those which they considered themselves justified in anticipating; though they are quite as good as they were able to hope for when they found, during the half-year, the various disadvantages under which the executive in Canada were labouring. The low fares and rates which have ruled, more or less, during the half-year, were dependent on competition between their rivals, on the prices of and demand for produce, and on other circumstances which were entirely beyond their own control or that of their officers; and there must sooner or later be a material improvement in this respect. The Fenian invasion, which diminished their traffic, and disorganized their staff, they had no means of averting. Meanwhile, the International Bridge over the Niagara River at Buffalo is steadily progressing; the Intercolonial Railway is being rapidly constructed; the loss by discount on American currency has materially decreased, and there are other symptoms of hopeful augury for the future. The extra resources which have been supplied for rendering the route more attractive, and for increasing the traffic, have not yet had time to bear fruit. The line is being prepared in all respects for the time when paying rates and fares combined with an important increase of traffic must produce the effect to which all who are interested in it can now only look forward. Taking a calm view of its prospect as a whole, it is so far satisfactory to remember that an important advance has been made towards general improvement. The undertaking is now in a thoroughly sound and stable condition. It is entirely free from debt, and with a turning tide of reasonable paying rates and fares, there must come that measure of prosperity for which the Directors have so anxiously laboured, and which the Proprietors have so long expected.

By order,

RICHARD POTTER,
President.

GRAND TRUNK RAILWAY OFFICES,
21, Old Broad Street, London, E. C.,
October 19th, 1870.

GREAT WESTERN RAILWAY.—Traffic for week ending Oct., 14, 1870.

Passengers	$34,692 89
Freight and Live Stock	49,110 66
Mails and Sundries	2,657 57
Total Receipts for week	$86,461 12
Corresponding week, 1869	83,962 34
Increase	**$2,498 78**