

in trade in Canadian staples, the returns (though somewhat incomplete) show a satisfactory result, being—

Estimated Revenue	£5,050,000
Do. Expenditure.....	4,850,000
Surplus.....	£200,000

The eight years since Confederation, therefore, exhibit an aggregate surplus of £2,443,111 (not including the Sinking Fund), which has been partially applied in the redemption of debt, and partly expended on new works.

The annual payment for Sinking Fund is included in the current expenditure, and forms in the aggregate a further sum of £700,000 since Confederation.

Special care is taken to charge nothing to capital account which is not on the most rigid construction applicable to it, but to debit every doubtful item against the income of the year.

The ordinary expenditure of the years 1874 and 1875 is swelled by outlay on certain special minor works undertaken in previous years, the completion of which closes all further payments on such accounts.

N.B.—It may be proper to state here that the proceeds of the Loan of 1874 (about £3,500,000 sterling) enabled the Government to apply other funds (held in hand for expenditure on public works in progress) to the redemption of about £2,000,000 of debt bearing six per cent. interest, the remainder of the Loan having been expended on works, or being included in the before-mentioned available balance of £3,500,000.

The objects of the Government of Canada in contracting the present loan are three-fold:—

- (1st) For the construction of several great works of internal improvement, chiefly in connection with the enlargement of the existing Canal system, by which it is proposed to improve the communication between Lake Superior and the ocean to such an extent as to permit the passage of vessels of 1,500 tons burthen, carrying from 50,000 to 60,000 bushels of grain, the largest size heretofore admitted having been about 500 tons, carrying less than 20,000 bushels.
- (2nd) To defray expenditure incurred on works of communication with the North-West Territories and the Pacific Railway.
- (3rd) To recoup the Exchequer for Bonds actually paid, bearing a higher rate of interest, and to provide for others falling due.

It is believed that as the full development of the St. Lawrence route is dependent on the combination of railway and water communication, whose interests are very closely connected together, the policy of enlarging these canals and providing new and improved facilities at the terminal points for the use alike of railways and shipping will assist materially in rendering the former more remunerative than at present, particularly during the winter.

The general importance of these works to Canadian interests will be best understood from the simple fact that at present a very large number of the vessels now employed in the navigation of the Upper Lakes, including Lake Erie, are compelled to stop at Buffalo, from inability to pass the Welland Canal, thereby diverting the great bulk of the western grain and produce trade from its natural channel, *vid* the St. Lawrence, to the tedious and expensive canal navigation from Buffalo to New York, and enormously reducing the volume of trade which would otherwise pass through Canada, to the benefit alike of the Western producer and the European consumer.

The Government of Canada are more especially desirous of pressing these works on with all possible vigour at the present moment, in order to secure the full advantage of the recent fall in the price of labour and materials throughout America.

The desirability of doing so will be easily understood from the fact that it is