Hampshire, and the Lowell and Massowah, the object being to provide cars for freight from Chicago to Boston. The five Companies each paid 2½ cents per mile on those 500 waggons, many of the officers of these being members of the Joint Stock Company, which dealt with us—("Oh!") It is the general practice in America, gentlemen; it is a very bad one, but it is universal. The arrangements with the National Dispatch and North American Car Companies were extended in 1871 from 500 to 1,300 cars, or an addition of 800 cars, and at a further reduction in costs to 2 cents per mile for the 800, and the contract was made with the five associated Companies, each Company paid in respect to the mileage run. The mileage run the Grand Trunk was not quite half the whole. I think ours is 540, whereas the mileage of the five associated Companies was about 560. So it may be said that about one-half of the cars belong to us.

A Shareholder.—For what period were the contracts made?

The Chairman.—For ten years. Arrived at Montreal, after parting with my friend Mr. Allport, who went on to San Francisco, I came into close quarters with these facts, but I spent two days with the officers of the company in closely examining them. But I found the bargain was a most oppressive one, and I determined at all risks to cancel it. After considerable delay and anxiety the bargain was cancelled. With regard to all these 1,300 cars, half the cars were sold to us at their value, and the other half remained in the possession either of the car companies or of the five railways who had hired them—that is not my business to inquire into. Half belong to us, and are now in our possession, and the cost of those was about £120,000. Our 650 cars still run over the associated lines, and receive the regular mileage of 1½ cents per mile, which is the mileage all over America. Their 650 will run over us, so that we shall receive rather more than we pay, inasmuch as our mileage is rather less than theirs, because we receive their mileage for our cars and they receive our mileage for theirs, so that the accounts nearly balance each other. You have had the accounts published for 1871-2, and you will see that the charge for rolling stock, which includes the charge for the hire of the Canada Rolling Stock Company cars, the Brantford and the National Dispatch, and the Detroit Companies, amounts to about £76,000, which includes maintenance of of the National Dispatch and North American cars, and also the liquidation of the capital of the Canada rolling stock cars, at the rate of 7 per cent., of those that we hired from the Canada Car Company. Under the new arrangement, which commenced October 1, there will be a saving to us, and we shall have 1,300 cars instead of about 900, which was the average quautity running in the twelve months ending June 30, 1872, of about £36,000 a year. So that the whole character and complexion of our rolling stock arrangements has been revolutionized, and I think is now on a satisfactory basis. Well, gentlemen, I do not wish to disguise from you that this affair made a very painful impression on my mind; but I ask you, if you please, not to press me on that subject, because I have spoken without reserve to some dozen gentlemen, some of whom I have seen in this room, large Shareholders in the concern, some of them—in fact, almost every one—those who are in the habit, I will not say of speaking hostilely, but of criticising us. And they are satisfied with what we propose to do; therefore I shall be obliged to you, in the interests of the Company, not to press me, and I appeal to some one of these gentlemen to get up and support me in this matter. I hope, therefore, you will abstain from any remarks in this room on our executive in Canada. I think these gentlemen will satisfy you that what we are doing is the wisest for the concern, and I hope earnestly, gentlemen, for the sake of all, an absolute silence may be preserved in this room on that question which concerns many of our officers in Canada. I shall call upon Mr. M'Gaven, Mr. Creek, Mr. Payne, or Mr. Wedd, if they are in the room, to say whether or not the explanations which I made without reserve to them have not been satisfactory. As to our proposals to day, and I think perhaps I shall startle you by reading them in the first instance, and without preliminary explanations, I will ask you to listen to them patiently, and then I will take them up point by point, explain the reasons why we adopt each of these proposals and advocated them, and then I will submit them to the meeting. What is the problem we have to solve? The problem we have to solve is to make this concern a dividend-paying concern, and I believe in my conscience that in this proposal is the only practical way of doing that. The facts which I have detailed to you making a deeper impression on my mind, I at once began to think about the ways and means of accomplishing the result which I promised you three years ago, and which I have failed to give you—that is, the payment in full and in cash of the dividends upon your first and second preference bonds. You have got at this moment a line which you cannot keep open and do justice to without the risk of danger and inefficiency, nor with a less expenditure than something like 18,000 tons of steel rails per annum. That will very nearly absorb your net earnings for the next three years I say an expenditure in steel rails, which you must make upon your line for the next three years in order to place it in a position adequately to conduct the traffic with safety and economy, will very nearly absorb the net receipts, because it will amount to nearly 20,000 tons of steel rails per annum. The first thing is this—Can we accomplish that process in two years? Could we put into the line 30,000 tons of steel rails in 1873, and 30,000 tons in 1874, because if we could we could accomplish our purpose more certainly? Physically the staff, the means and appliances in existence on the Grand Trunk, are hardly capable of laying down 300 miles of steel rails upon the main line, in addition to the 50 miles required for the branches and American sections. We can do it three years, and do it well, and do it without disturbing our means and appliances for conducting our business. And, gentlemen, if we can do this we ought to do it. 60,000 tons of steel rails, of which we have bought 28,000 at ten guineas a ton, having sold our iron rails for £7 5s. per ton, will steel 600 miles of railway.

A Shareholder—Have you paid for 28,000 tons?

The Chairman—They are for delivery next year and the year after. The 18,000 tons we have had this year are paid for, but we do not pay for goods before they are delivered. It is very satisfactory that we have to receive these. Now 20,000 tons of steel rails for three years, with a certain expenditure not of a large character, will, I am satisfied, save us in working expenses from £250,000 to £300,000 annually. I do not like to make another pledge of what will ensue, but will leave it you to say whether a saving of from £250,000 to £300,000 per annum, which say is certain in three years, and with the completion of the bridge, and with the increase of traffic, and with a proper provision of rolling stock—whether in your opinion, as commercial men, that is not calculated to pay our first and second preferences in full? Now, gentlemen, how are we to obtain the £1,485,000? I will tell you at once how we propose to obtain it; and then, although you will, perhaps, be startled by the first announcement, I will explain to you why we propose to obtain in that way. We have in our strong box securities—Atlantic and St. Lawrence shares and bonds—to the amount of £410,000. Mind you, gentlemen, we assume in this calculation—an artificial calculation, not a calculation which would have to be made between the first and second bondholders and the general body of shareholders, if you came to define what really was the meaning of "net earnings," but we assume in this calculation that we shall spend the whole 30,000 tons of steel rails and ballast and so forth out of the capital. Now I come to the net revenue for the year 1873, which we propose to lay our hands upon as a part of the £1,485,000 required. We make a calculation of £75,000 of net earnings only, because we wish in this calculation to be safe. We have assumed that the present rate of wages will be continued, and the present value of stores. For 1873 we assume £150,000 net revenue; and for 1874 we assume £250,000 net revenue; making a total of £475,000 sterling. We, then, propose to ask the powers to-day to issue a new security to the extent of £600,000, making a total of £1,485,000, which accom piishes the object I have detailed to you. We propose, gentlemen, to accomplish it in that way. The £410,000 of Atlantic and St. Lawrence securities will supply us for 1873, plus, of course, the net revenue which we have calculated. That is to say, the £75,000 of net revenue which we calculated upon in 1873 with the £410,000 of Atlantic and St. Lawrence will supply the wants of this concern for 1873. For 1874 and 1875 we shall want the remainder of the surplus revenue and the £600,000 of new securities. Thus, you see, it is a complete provision of ways and means for the contemplated expenditure. Now, gentlemen, why do we propose to take the net revenue? The first and second preference bondholders are entitled on the 1st July next to their interest in full and in cash. (Hear, hear.) Yes, they are entitled to that in full and in cash—their full interest on 1st July next amounting to about £154,000 sterling. Well, the line cannot pay it, because it cannot earn it. Shall we leave them as they are? (No.) I should like to leave this question entirely in their hands. And I say to them—assuming now that I am addressing a meeting only of first and second bondholders. I say to you, gentlemen, shall we leave you as you are to your rights as they exist in the law? (A voice—"I should say yes.") Very well, sir, then I will tell you what would happen to you. We shall fail in paying you the money on the 1st July, 1873. I think you will agree with me there.

The Shareholder.—According to your statement, of course.

The Chairman.—Well, at any rate the line will fail to earn that money. I think you will agree with me there. ("Yes.") Well, then, we cannot pay it to you in any other way except by the earnings of the line without the consent of all the other shareholders, because with their consent we cannot raise the money.

The Shareholder.—But you have been using our money.

The Chairman.—That is quite another question. You say, leave you as you are. Well, there is a clause in an Act passed in 1857, five years before the Arrangement Act, which says this. The Government of Canada have three millions of provincial debentures for which we have received cash. They were constituted the first mortgage of the concern, and in 1857 the payment of interest upon these debentures was suspended upon this condition, and the Arrangement Act does not affect this at all. This Act is in force at the present day, and will be in force on 1st July, when you are to be left, as you say, to take your own course. The condition is this:—"Provided the said company shall supply the said railway with sufficient plant, rolling stock, and appliances to work the same efficiently, and so long as they maintain and work the same