

both of them, in their existing form, to be illegal, it is obviously the duty of the Company to have the questions raised decided at the earliest moment, and, if pronounced to be *ultra vires*, to abrogate them, or to modify the Great Western agreement under its provisions; and with reference to the results of the Steamboat agreement, as it is understood to be the wish of the Steamboat Company to terminate it, no difficulty need be apprehended in bringing that arrangement to a close; although it appears, by Mr. Shanly's report, to have been attended with collateral advantages to the Grand Trunk Railway Company.

Much has been said about an alleged cultivation of western or "through" traffic, to the sacrifice of the local interests of Canada, and I refer you thereon to the statements of Mr. Shanly, which explain the position and the policy of the Company in this respect; but while concurring to the fullest extent with the facts as stated by him, I cannot permit the present opportunity to pass without observing that I consider the Grand Trunk Company requires for its permanent and independent support a considerable share of "through" business to aid the local traffic.

The "through" traffic falls short of the estimates which were prominently set forth in the original prospectus, on account of the inefficiency of our means and accommodation, and the want of that confidence in the conduct of our business which a complete equipment of our railway would inspire. At the same time, it is necessary and only fair that cities and districts, and local and personal interests benefited by the railway, should unite with the Company in providing facilities for the conduct of their own business. Recent efforts of this nature have been made by some of the municipalities and private individuals, which cannot fail shortly to prove of much real advantage to the Company and themselves.

With respect to the working expenses generally, the best energies of every one concerned have been exerted to promote economy; and in my last report I estimated that when our system of arrangements for the conduct of traffic was perfected an expenditure of £10 per mile per week would earn £18. Up to the present moment, however, the want of the proper accommodation and facilities alluded to, and our financial embarrassments, have paralysed our powers and prevented the carrying into effect the savings and arrangements I had then calculated upon. The last winter's experience also shows that the expenditure necessary for the renewal of rails had been under-estimated.

With respect to the Detroit Line, Mr. Shanly's report will explain that as the Grand Trunk Railway of Canada has hitherto carried but a very small proportion of the through traffic for which it was designed, it would not be right to judge by the past what its earnings will amount to when fully worked.

I have the honour to be,

Truly yours, &c.,

T. E. BLACKWELL,

Vice-President