

Rolling Stock being subject to the current prices of labor and materials, which have risen very materially during the past year. To this contingency is also to be added the expenditure due to the purchase of the steamer "Morning," and of the Wharves at Bradford and Orillia, the construction of the Pier and Station Buildings, at Bell Ewart, the increase in the number of Way Stations, and in the length of Sidings necessary to supply the local trade and the cost in construction of the new Steamer for Lake Simcoe. All these services and contingencies may be taken as representing an excess of £40,000 on the full Engineering service of the completed road, comprising the additional and remunerative extension of the Line.

Upon the whole, therefore, it will be found that this Road when completed and in operation, will contrast most favorably with all other Canadian Lines in regard to expenditure of Capital, as it already does in relation to the amount of way traffic, in which alone it has, as yet, been practically tested.

With regard to the traffic branch of the transactions of the Company, however, it is not now, as formerly, my duty to report, all matters relating thereto being on completion of the Road transferred, for practical operation, to the Superintendent's Department. I may, however, be permitted to observe, that the anticipations expressed in the earlier Reports submitted for your guidance, would appear to have been fully realized. The local trade, already highly successful, is daily receiving augmentation by the diversion of existing traffic from its long accustomed channels, and by the rapid development of new, yet almost illimitable sources of supply. Indeed it would be difficult to conceive a Line more favorably located than yours, with reference to the attraction of local business; for, as I have before observed, it not only itself lies through thickly set-