

The Directors have the honour to present their Report of the transactions of the Company to the 31st of December, 1872, to the Shareholders of the Midland Railway of Canada.

The Revenue receipts of the closing year exhibit a satisfactory business increase, giving as a result gross receipts over the same length of line \$304,333.22, as against \$273,887.95 for the year preceding.

The operating expenses are \$173,292.47 as against \$129,709.23 for the preceding year, nearly 57 per cent on the gross receipts as against 47 and a fraction for the preceding year.

The number of Tons carried were 197,064¼, at an average rate per ton of \$1.18½, as against 190,677½, at an average per ton of \$1.13, for the preceding year.

The number of passengers carried were 85,237, producing \$65,363.53, as against 69,406 passengers, producing \$54,133.32 the preceding year.

The total cost per Engine mile run was \$12.90 as against \$11.62 of year preceding.

The total miles run 295,771 as against 262,795 for the preceding year.

It will be observed that the Operating expenses have increased nearly 10 per cent., this at first sight appears large, inasmuch as the cost of operating this Railway, has uniformly been considerably less.

There is, however, a satisfactory explanation. Operating expenses have been charged 5 per cent. upon the estimated value of Rolling Stock, in the sum of \$12,200 for wear and tear, which is the first time an item of this nature has been charged, the effect of which is to reduce Nett revenue, adding a fraction over 4 per cent to the Operating expenses.

Again, Labour expended upon the track amounts to \$34,033.74, as against \$17,137.28 of the preceding year, nearly 100 per cent increase. The judicious expenditure of this sum is manifest in the improved condition of the road bed, and fifteen miles additional Fencing have been constructed at a cost of \$4,671.72, as against \$960.61 for 1871. During the year the Rolling Stock was increased by three new Locomotives, from the Portland Works, by fifty-one new Platform Cars, and a Baggage, Mail, Express and Smoking Car, at an outlay of \$69,689.90.

After paying the Interest Coupons, and Preferential Liens, the balance of Nett Revenue carried to reserve is \$32,778.53, the Statements accompanying this Report set forth full details of the year's operations.

Your Directors have the honour to submit, as next in importance, the Engineer's Report upon the Georgian Bay Extension, which exhibits the details of expenditure thereon.

A contract was entered into for the construction of the line to Georgian Bay, but the works have been protracted and delayed, to the serious detriment of the Company, and disappointment of your Directors. At the date of this Report the line to Orillia is open for traffic, though not completed.

Your Directors now approach a point that has affected the interests of the Road, not anticipated at the commencement of the Extension, the aid proffered by the Government, under the Railway Aid Act, is subject to terms and conditions for running

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Your Directors now approach a point that has affected the interests of the Road, not anticipated at the commencement of the Extension, the aid proffered by the Government, under the Railway Aid Act, is subject to terms and conditions for running powers to other Companies, so prejudicial, your Directors were constrained to decline accepting aid on those terms, and shall, in consequence, suspend operations north of Orillia for the present.

Your Directors, however, feel the importance of completing the Extension to Georgian Bay at the earliest possible period, where a traffic can be obtained to make this one of the main connecting links between the Great West and the Atlantic Seaboard. The cash expenditure of the Company, upon the Extension, amounts to \$390,675.85, which represents 21 miles of Railway in operation to Orillia, and \$85,000 expended North of Orillia. The total mileage in traffic operation from date will be 109 miles.

Your Directors have great pleasure in acknowledging the hearty support and co-operation of the Officers and Employes in working the line, and in promoting the general prosperity of the Company.

D. E. BOULTON,
President.

CHIEF ENGINEER'S REPORT.

CHIEF ENGINEER'S OFFICE,
Midland Railway of Canada,
PORT HOPE, December 31, 1872. }

D. E. Boulton, Esq., President:

SIR,—I beg to report for your information the works of construction and repair on your Railway for the year 1872. Also, the works connected with the extension of the line beyond Beaverton towards the Georgian Bay.

Early last Spring I reorganized the track gangs, as it was found that some of the sections were short-handed, and others had a stronger force than was necessary. I, therefore, had the whole line measured out, the mileage marked permanently on the telegraph poles, and the sections reduced to four mile lengths, placing a foreman and three men on each section, thus giving a man to each mile of road; the benefits of this system can already be seen in the improved state of the track. 26,987 new ties have been placed in the track, and 181 tons of new iron during the year.

Additional siding was put in at Cambray for shipping lumber from that point. The sidings at several of the Stations were extended. A large amount of additional track was put in at the yard at Port Hope, and the track extended to the end of the wharf at Beaverton. Two miles of the old track north of