

and a statutory definition of "working expenses."

The Undersigned have had great satisfaction in finding that the last four of these requirements, as a whole, have practically been accomplished; and as regards the first of them—the equipment mortgage—they are especially glad to find that Mr. Watkin is able to report that it will not be required until the largely-increased traffic of the line makes it profitable to raise it, and consequently that the earnings will be relieved of the absolutely first charge upon them (after working expenses) of say £30,000 for equipment mortgage interest.

III.—Postal Subsidy and Surrender of Collateral Securities held by Creditors.

(2) The amount to be paid in future by the Canadian Government for the Postal subsidy was referred some months ago by consent of the Governor-General in Council to an arbitration, in which confidence is entertained, and the award of the referees is very shortly expected.

The Legislative Assembly or Lower House of the Canadian Parliament would not consent to capitalize the Postal subsidy by an issue of Province Bonds, but the Arrangements Act (sec. 2) empowers the Company to issue Bonds, the principal and interest of which shall be a first charge on the postal and military payments; and these Bonds will be accepted at par