The complete Report and Evidence will be delivered on Monday —

Chemins de fer No 3 210

REPORT

Hon. G. Cartier

OF THE

COMMISSION

APPOINTED TO INQUIRE INTO THE AFFAIRS

OF THE

GRAND TRUNK RAILWAY.

QUEBEC:
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1861.

PROVINCE OF CANADA.

[L. S.]

His Excellency Lieutenant General Sir WILLIAM FENWICK WILLIAMS, Baronet of Kars, K. C. B., Administrator of the Government of the Province of Canada, and Commanding Her Majesty's Forces therein, &c., &c., &c.

To all to whom these presents shall come or whom they may in any wise concern—

GREETING :

WHEREAS it has been deemed expedient, in view of the important interest of the Province in the maintenance and working of the Grand Trunk Railway, and the statements made by the Company of its embarrassed condition, that a strict enquiry should be instituted into the compliance by the Company with the conditions of the Relief Acts—into its present financial position—and into the mode and expense of maintaining and working the line, with the traffic arrangements connected therewith; NOW KNOW YE, that under and pursuant to the provision of the thirteenth chapter of the Consolidated Statutes of Canada, intituled : " An Act respecting inquiries concerning Public Matters and Official Notices," the authority in me thereby vested, and by and with the advice and consent of Her Majesty's Executive Council for the said Province, I have nominated, constituted and appointed, and by these Presents do nominate, constitute and appoint JOHN LANGTON, of the City of Quebec, Esquire, J. LEWIS GRANT, of the City of Toronto, Esquire, and TOUSSAINT TRUDEAU, of the City of Quebec, Esquire, to be *Commissioners* to enquire into the management of the Grand Trunk Railway—the compliance by the Company with the conditions of the Relief Acts—the present financial position, and generally into the mode and expense of maintaining and working the Line, with the traffic arrangements connected therewith, and into such other matters connected with the Grand Trunk Company, as they may be hereafter instructed by me to investigate; and THOMAS WILY, of the City of Montreal, to be Secretary to the said Commission; AND I DO HEREBY authorize and empower them the said JOHN LANGTON, J. LEWIS GRANT and TOUSSAINT TRUDEAU, as such Commissioners, to summon before them any party or witnesses, and to require them to give evidence on oath orally or in writing, (or on solemn affirmation, if such parties be entitled to affirm in civil matters) and to produce such documents and things as they, the said Commissioners, or any two of them, may deem requisite to the full investigation of the matters and things aforesaid. TO HAVE and TO HOLD the said Office of Commissioners for the purposes aforesaid unto them the said

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John Langton, J. Lewis Grant and Toussaint Trudeau, and the said office of *Secretary* of the above Commission unto him the said Thomas Wily, during pleasure; And I do hereby require that the said Commissioners do report the result of the above mentioned investigation with all convenient speed to the Governor of the said Province for the time being.

Given under my Hand and Seal at Arms, at Quebec, this twenty-first day of November, in the year of Our Lord one thousand eight hundred and sixty, and in the twenty-fourth year of Her Majesty's Reign.

W. F. WILLIAMS.

By Command

C. Alleyn, Secretary.

Secretary's Office,

Quebec, 24th November, 1860.

Sir,

I have the honor to enclose to you a Commission appointing you together with J. Lewis Grant, of Toronto, and Toussaint Trudeau, of Quebec, Esquires, Commissioners, to inquire into the management of the affairs of the Grand Trunk Railway Company. The papers on which that Commission has issued are herewith also transmitted to you, and you will please return them to me, with the Report of the Commissioners, which, I am requested to say, is required as soon as possible.

You will please acknowledge the receipt of this letter and of its contents.

I have the honor to be,

Sir,

Your most obedient servant,

C. ALLEYN, Secretary.

John Langton, Esquire,
&c., &c., &c.,
Quebec.

(For the papers herein referred to *vide* Appendix I.)

QUEBEC, 7th December, 1860.

Gentlemen,

In the execution of the Commission with which you have been entrusted to examine into the position of the Grand Trunk Railway, His Excellency the Administrator of the Government has been pleased to direct that the following instructions be issued for your guidance.

The object of the Government is to obtain information upon the real position and future prospects of the Grand Trunk Railway Company; and for this purpose you will enquire into and ascertain the exact financial position of the undertaking, its liabilities and its assets.

You will also direct your attention to the manner in which the actual working of the Railway is managed in all its branches, the arrangements under which the traffic is obtained by agreements with other Companies and otherwise, the tariff of charges and the extent of accomodation afforded to the public, including the postal service and the indemnity paid therefor.

You will further report upon the deficiencies stated to exist in the supply of rolling stock and station accommodation, with the means and cost of supplying the same.

You will also consider the questions of general commercial policy connected with the working of the Railway as an important channel of trade and report thereon.

The most important point connected with your enquiry is whether the Railway is now or can be made self sustaining and remunerative commercially, either by a decrease of the cost of working or by an increase of traffic or by both combined. And while you will be careful to submit all the evidence upon which your opinions may be based, His Excellency desires that you should report your views fully upon this point.

It is not considered necessary that the Commission should occupy itself with particular investigations into the past history or transactions of the Company which, whatever may be their nature, do not fall within the objects desired by the Government in the present enquiry.

Your present investigation will, however, naturally in some cases require reference to the past management and policy of the Company, and so far these subjects will properly fall within the scope of your duties.

A. B. C. | I have the honor herewith to furnish you with certain statements and documents furnished by the Grand Trunk Company, numbered as per margin.

His Excellency trusts that you will be able to furnish him with your report for the approaching Session of Parliament or not later than by the latter part of February.

I have the honor to be, Gentlemen,

Your Obedient Servant,

C. ALLEYN, Secretary.

SYNOPSIS OF THE REPORT.

REPORT.

To His Excellency the Right Honourable Sir Edmund Walker Head, Bart. P. C., K. C. B., Governor General of British North America, &c., &c., &c.

May it please your Excellency.

Upon receiving your Excellency's Commission and instructions from the Honourable Provincial Secretary as to the points to which our enquiries should be more particularly directed, we proceeded to collect such information, as would enable us to lay before Government a report upon the important subject, the investigation of which had been entrusted to us.

In order to enable us to give an accurate statement of the financial position and future prospects of the Grand Trunk Railway Company down to the latest period, it would have been necessary for us to wait until the books of the Company were balanced at the close of the year 1860. But as this could not have been accomplished, even under ordinary circumstances, until the end of February, and as the preparation of the statements which were called for would still further delay the closing of the books, it became evident to us, that it would be impossible for us to make any satisfactory report at as early a period, as was required by our instructions. Under these circumstances, we came to the conclusion to limit our investigations, in the first place, to the transactions of the Company down to the last balance obtained on the 30th June, with the intention of reporting the results of our enquiries to that date, and of subsequently extending them in a supplementary report to the end of the year. As the time approached, however, when we might expect the balance sheet of December 31, we were led to hope that we could present in a single report all the most material points of our enquiries, and some confusion has thence arisen as to the period from which our conclusions are drawn. Our detailed examination of the books has necessarily been carried no later than June, and the statements which we submit of the revenue and capital accounts in a revised form are brought down to that date only. But we have also given these accounts, and the balance sheet to December 31; and as the past year has been the only one during which the entire length of road has been in operation, we have shewn in a separate statement the revenue for that year, as it is given by the Company, with remarks as to the points which appear to have an important bearing upon the future prospects of the Company. The liabilities of the Company we believe, are shewn, approximately at least, to a much later date; and we have endeavoured in all cases to distinguish the periods to which our observations apply.

Although we were most anxious to complete our Report at as early a date as possible, the magnitude of the subject forbade us to be content with a hurried investigation; and we feel that even now it will be found imperfect upon some important points. Having however received the final balance sheet from the Company on the 19th April, we felt no longer justified in delaying to submit to Your Excellency such information as we have collected.

LIABILITIES.

We have called for a statement of liabilities, as they appear in the books of the Company up to Dec. 31, 1860, together with an estimate of the further liabilities incurred since that date, which will be found in the (Appendix XXIII, page 145.) The following is an abstract of those returns:

	$ cts.
Interest overdue on Debenture Capital	655,417 81
Rent due on Detroit road	166,121 71
Bills payable	2,749,473 52
Loans	7,875,506 61
Sundry creditors	830,538 64
	12,277,058 29

The estimated addition to the liabilities, since the beginning of the year, only includes the Canada accounts, but besides this, a half year's interest upon the first preference bonds, and upon the greatest portion of the ordinary 6 per cent bonds, fell due in January. Upon the whole amount it would have been £123,721 stg., but the overdue interest in the London cash balance sheet is only increased by £114,104.16.5, or $545,-310.12; whilst further interest on a small portion of the 6 per cent bonds, to the amount of £2,466, or $12,000, fell due in March, of which we have no account as yet from London. It appears also, from the answers to questions 220 and 221, that interest on Montreal City Bonds $20,340, on the Montreal Seminary Bonds $5000, and on the British American Land Company's Bonds $3000, is in arrear, and that rent on Atlantic and St. Lawrence shares to the amount of $17,673 was unpaid December 31. We may likewise add $20,764.81, still due on account of loss by Lake Steamers, and not included in the accounts (Qu. 233.) It would appear necessary also to include in the liabilities the amount still payable on the Three Rivers and Arthabaska contract, viz: $680,466.50, towards which $250,329.16 are in the hands of the Province. The total liabilities up to March 31, may therefore be stated as $13,331,283. Moreover, on the first of April a half year's interest on all the second preference and all the 7 per cent bonds fell due, to the amount of $417,779, and a half year's payment on part of the Atlantic & St. Lawrence lease, amounting to $29,640; and a further amount of $18,600 on the 1st of May, so that the liabilities at the date of this report amount to $13,797,302.

Against this there is a considerable amount of the bonds of the Company hypothecated, or still available, with respect to which we have found some difficulty in reconciling the books at Montreal with the amounts as stated by the London Directors.

The 6 per cent bonds are stated by the London Committee of Bondholders to be..............................		£2,313,987 stg.
The amount in the books is............	£1,724,840	
Montreal City, &c., included in amount of London Committee................	223,287	
Hypothecated, according to report of London Board, Oct. 26................	326,000	
Still on hand, vide do.	32,000	
		2,306,127
Not accounted for		£ 7,860

The 7 per cent bonds are...........................		£1,500,000 0 0
According to the books there are issued....................	£1,467,541 12 6	
Said by London Board to be on hand....................	27,600 0 0	
		1,495,141 12 6
Not accounted for..............		4,858 7 6

2nd preference bonds authorized to be issued.....		£1,111,500 0 0
Issued by the books............	£835,533 6 8	
Said to be hypothecated Oct. 26.	275,600 0 0	
		1,111,133 6 8
Not accounted for...............		£ 366 13 4

The bonds still on hand or hypothecated stand thus :—

Hypothecated 6 per cent according to London Board.	£326,000 0 0
Do. 2d preference do. do.	275,600 0 0
Still on hand 6 per cent according to London Board.	32,000 0 0
Do. 7 per cent do. do.	27,600 0 0
On hand or hypothecated 6 per cent................	7,860 0 0
Do. 7 per cent...............	4,858 7 6
Do. 2nd preference...........	366 13 4
	£674,285 0 10

In the same report of the London Board, mention is made of land to be sold, valued at £120000, of which it is stated that only a small portion, realising £5000, had been disposed of. We have made every enquiry as to the property alluded to, both here and in London; but, in the absence of Mr. Blackwell, we have not been able to find that the Company holds land in Canada to that amount, other than the track and station and ballast grounds, nor indeed to hear of any land which is held for sale. The £5000 said to be realized is evidently a misconception of a credit in the Sarnia Lands account.

Amongst the assets, a statement of which is given by the Company to December 31, there appears to be only a small portion which can be made available to meet the liabilities. The Atlantic and St. Lawrence Stock and Debentures, and the Toronto Debentures are already hypothecated; the Portland Sinking Fund of course cannot be touched; the stores and fuel are required for the use of the Company, and the subscription to the St. Lawrence Docks has always been treated as an expenditure of Capital. The only other large item is "Outstanding Traffic Accounts," which requires considerable modification. The sum of $546,182.33, given in the assets, is not all really available. The amount collectible is shewn (Qu. 218) to be $307,945.10, against which there is due to other parties $126,260.14. But in this latter sum are included the amount due to the Great Western under agreement $43,341.70, which is disputed, and $61,640.16 on Postal service account. Deducting these two, the balance of accounts really outstanding between the Grand Trunk Railway and the public is $286,666.82 in favor of the Company. Amongst the other sums, for which the Traffic Department takes credit, but which are to be settled by the Company's own cheques, that of $245,830.83 for Postal service is clearly erroneous. This is the whole amount of the loan by the Provincial Government on the joint security of the Postal service and certain 2nd Preference bonds, for the whole of which the Traffic Department has taken credit, with a corresponding debit of $61,640.16, as above, thus making the net sum for which credit is taken $184,190.67. But the Provincial Government has now finally settled the claim of the Company for arrears of Postal service, by awarding the sum of $113,144.89; the balance therefore $71,045.78 is irrecoverable, and must be added to the bad debt account of $11,882.62, making together $82,928.40, for which Traffic has taken credit in former years, but which cannot be collected. Of the miscellaneous items it is doubtful how far some can be collected, and many of them are of the nature of disbursement accounts of the Company's servants, which have probably been expended, although the expenditure has not yet been charged to the proper accounts. Including the cash in hand there is not probably more than $500,000 available. It is proper also to remark, that in the liabilities as above estimated, the reduction in some of the floating liabilities in Canada between January 1 and March 31 is taken into account; the change therefore in the only two considerable assets must also be noted. The outstanding Traffic accounts have been reduced from $286,666 to $28,000 (Qu. 234); the Cash remains almost unaltered, being in fact hypothecated nearly to the whole amount.

There is one other item in these returns to which we must call attention. Amongst the loans appears the sum of £500000 sterling, under the title of Financial Agents of Canada Loan account, November 15. The title

"Financial Agents of Canada" might lead to the impression that this was a loan by the Province, but we have ascertained that no such loan is known to, or authorized by, the Finance Department (Qu. 222.)

REVENUE TO JUNE 30, 1860.

In order to enable us to form any opinion as to the probability of the Grand Trunk Railway recovering from the difficulties, in which it is at present involved, and of its becoming self sustaining and successful as a commercial speculation, it was necessary for us to examine in considerable detail into the transactions for some years past, in order to ascertain what the real earnings during that period had been, and to base upon them some augury for the future. The annual accounts of the Company, under the head of the Revenue Account, shew the receipts and working expenses; but as much of the expenditure has heretofore been charged to capital, or is contained in open accounts in the Ledger, we do not think that the balance of the Revenue Account alone will give a true idea of the net profits, which have been available as a return upon the capital expended In this examination of the details of the receipts and expenditure, we have not thought it necessary to go back farther than to the beginning of the year 1858, as the unfinished state of many sections of the road rendered the results of earlier years less applicable to the present position of the undertaking. We propose to submit our remarks upon these details under the heads of the different accounts in which they occur. We must, however, premise that, from the peculiar position of the Company, holding part of the road under lease, and with preference creditors, who rank in various orders of priority after the *actual working expenses*, there are legal difficulties in determining the charges which properly fall under this designation—difficulties which we do not propose to discuss—our object is to shew what would be a fair distribution of the expenditure between Capital and Revenue, viewing the undertaking merely in the light of a solvent commercial speculation.

Capital account.

We have obtained from the Company a statement (App. X p. 50) of the entire expenditure charged to capital up to 30th June, 1860, distinguishing the amount paid to the original contractors, and that expended by the Company itself. From this statement it appears that, excluding the amount expended on the Atlantic and St. Lawrence road, and excluding also the purchase money of the road from Montreal to Island Pond, and the Detroit and Arthabaska lines, there has been expended upon the Grand Trunk proper, for extra and additional works, under the heads of "Engineering," "Works and Permanent Way," and "Stations," the sum of $2,491,092. It forms no part of our duty, according to our instructions, to enquire how so large an expenditure, upwards of 6 per cent of the whole cost under the same heads, became necessary for completing and perfecting the work as taken off the contractors' hands; but it is evidently essential that we should enquire, whether the whole of it was justly charged upon capital, or whether any part of it ought not to have been considered as maintenance of the road, which was properly chargeable against Revenue.

With regard to many of the items there can be no doubt—Whether the original contracts covered every thing that was necessary for the construction and equipment of a complete road, or whether those contracts were strictly fulfilled, is immaterial to our inquiry. Whatever was essential to make the road complete was properly considered part of the capital. Thus additional station accommodation, or a new branch as at Kingston, or connections not covered by the several contracts, as the road through the city of Toronto or the Charons connection at Montreal, are clearly charges against capital. There are many improvements also where a part, at least, is chargeable to capital. Thus if iron or stone bridges are substituted for wooden ones, as over a large portion of the section between Montreal and Portland, (the cost of which, however, is not included in the sum above named,) or if it is found more economical to abandon the original location, than to maintain the road in repair, as at Duck Harbour, a proportion of the cost, as a permanent improvement, may fairly be considered an expenditure of capital. Of a very similar character are insufficient ballasting and drainage, when the works were accepted from the contractors, or an inferior quality of rails, involving rapid renewals. Then again there is that class of repairs, such as settlement of embankments and derangement of track, which fall the heaviest upon the early years of a railway; whilst of another class, such as renewal of ties and rails, and of buildings and fences, the full weight is not felt till a later period. Unless there be a reserve account, to which the two latter classes may be charged, so that they may be spread over several years, the revenue of the year in which they fall can hardly be expected the bear them; but they form a very questionable charge against capital. It is evidently impossible that we can examine into every item of these various classes, and offer an opinion as to the proper method of charging it. We only refer to them with the view of shewing, how large a portion of the work in the earlier years of a railroad is of a doubtful character, the proper classification of which can only be left to the judgment and integrity of the engineers in charge. As long as the construction account is open, we believe that the experience of railroad undertakings in all countries will shew, that there is no tendency in engineers to charge an undue proportion to revenue. But in the case of the Grand Trunk we find, that in many instances, after the engineers in charge have distributed the expenditure between capital and revenue, according to their judgment of the proper proportions, the Officers of the Company have ordered large sums to be transferred from the latter to the former account. Without entering into the merits of each individual transfer, we believe that we shall not be doing injustice to revenue, in accepting the distribution of the gentlemen under whose immediate supervision the work was carried on. The whole amount which has been thus transferred, from January, 1858, to June, 1860, is $299,630.39, but if in rectifying this account we assume the balance at the credit of the revenue, Jan. 1, 1858, as given in the published accounts of that year, we must only re-transfer $179,630.39; as the remaining $120,000 related to past transactions, and had been included in that balance in the printed statement, although not entered in the books until a later period. We have accordingly restored this amount to revenue, and if we had sufficient data, or had felt ourselves called upon, or competent, to enter into a detailed examination of the different sums, which have been charged to capital during that period for other work than new and additional construction, we believe that a much larger sum would have been found more properly chargeable against revenue.

The principal difficulty lies between the heads "Works and permanent way" in the capital account, and "Maintenance of way" in the revenue account, and the principal items are "Rails, ties, &c." "Bridges" and "Ballasting." Now it appears from the schedules appended to the statement of capital account (App. X.) that from January, 1858, to June, 1860, there had been expended in renewals of rails and ties, exclusive of the expense of relaying, $400,512, exclusive also of $85,481 for rails on the Central Division, where the renewals are not distinguished from new sidings and the diversion of the original track at Duck Harbour; and that there had been expended for renewals of bridges, principally between Montreal and Portland, $702,726, and for ballasting $124,527, besides about $120,000 for fencing, drainage and other miscellaneous repairs and improvements of the track—altogether for the three first items about $1,250,000. If on the other hand we look at the revenue accounts for the same period, we find these heads charged as follows:—Rails, &c. $353,-137, Bridges $238,794, Ballasting $82,161—together $674,092. We cannot persuade ourselves that this is the proper proportion, in which such repairs should be divided between capital and revenue, or that $179,630, the transfer of which we have refused to accept, represents by any means the whole amount which has been unduly charged against capital. If we take the amounts hitherto charged for maintenance of track, and compare them with the probable expenses for the future, the impropriety of considering a part of the renewals as chargeable on capital becomes still more evident. To take the item rails alone—according to Mr. Trembicki—the average life of a rail may be looked upon as about 8 years; according to Mr. Stark as 7 years, (Qu. 108 and 214). Upon these estimates the cost of merely re-rolling the necessary quantity of rails would be respectively $350 and $400 per mile per annum; but the whole cost of rails, chairs and ties from January, 1858, to June, 1860, including what is charged to capital, as well as to annual maintenance, does not on the average equal the smaller of these sums per annum, not one half of which has been hitherto charged to Revenue. The sums above given are probably not very far from the future average annual cost per mile for renewals of rails; but it is very evident to us that, so far from any of the former renewals being legitimately chargeable against capital, for some years to come the expense of relaying the track will very much exceed any thing that the Company has hitherto being subjected to. In considering the future prospects of the Company, we shall have to allude in the sequel to the present condition of the track, but it is a subject of such importance that we need not hesitate to consider it more in detail here.

The Central Division from Montreal to Toronto is 333 miles long. Mr. Trembicki says (Qu. 89) that about 34½ miles had been relaid to December, 1860. He further estimates (Qu. 108) that there will be required in 1861, 35 miles, (Mr. Cooke, the Engineer of the Division says (Qu. 204) that he has applied for 40 miles, which will hardly cover contingencies,)—that there will be required in 1862, 40 miles, and that all the rest (223½ miles) will have to be renewed by 1865. That this is not an over-estimate, will appear from the evidence of Mr. De Grassi, the Government Inspector of Railways, who reports (Qu. 181) that over the whole line (the Central Division is the worst portion) from ⅓ to ½ of the old rails are bad. Taking Mr. Trembicki's estimate, it would appear that there will be required of rerolled rails in the Central Division—

In 1861, 35 miles, or on the whole distance, \$305 per mile,
1862, 40 miles, " " \$348 "
1863, '64 & '65, 223½ miles, on the average, \$648 "
average for 5 years, \$519 per mile.

On the Eastern Division it is much the same. Mr. Starke (Qu. 213) says he will require, in 1861, exclusive of the Rivière-du-Loup section, 12 tons or \$348 per mile. This would lay 28.8 miles of the whole Division, which, excluding the Rivière-du-Loup Section, is 240 miles. If all laid on the line between Montreal and Island Pond, 144 miles, which it probably will be, it would leave about 96 miles over and above the distance which has already been relaid up to the present time. The rails on the whole of this 96 miles have been down for the full 7 years, which Mr. Starke estimates as the limit of their existence, and within two years at most they must also be relaid. By that time the rails on the rest of the road to Quebec will also be more than 7 years old. We cannot, therefore, estimate a less annual supply, as necessary on this Division, than 40 or 50 miles, at a cost of from \$500 to \$600 per mile.

These are certainly the two worst Districts in this respect. The Portland District has been more than ¼ relaid already, and the Rivière-du-Loup Section and Western District are not so old, and on the latter at least the iron is acknowledged to be better. Nevertheless, the future cost for new rails is a very formidable item, and when it is considered that these estimates do not include the transport to and from the mill, or the cost of relaying, which according to Mr. Cooke, is \$185 per mile, and that they take no note of chairs and ties, both of which the evidence shews to be in a very bad condition, it will be evident that, whilst Revenue was charged in 1858, 1859 and 1860, with less than \$160 per mile, for "Rails, ties and chairs," there was no excuse for charging any portion of the remainder to Capital.

Included under "General Expenses" in the Portland section, and under "Extra and additional Works" in the other sections of the road, there is a very large sum charged against Capital for "Deficit of Fuel and Stores," amounting altogether to \$419,304.55. It appears, that when an examination into the stores and fuel on hand was made in 1858, it was discovered that a large deficit existed, which was ordered to be written off the books and charged to Capital. We are not prepared to admit that this was a correct way of disposing of the deficiency. Nobody supposes that stores and fuel to this extent were stolen or destroyed, when the loss might, perhaps, have been charged to capital, though hardly under the heads named above. Some loss there will no doubt be in distributing stores, and large quantities of fuel have at times been destroyed by fire; but to meet such contingencies, stores and fuel are charged out at an advance on their original cost, and this advance ought to be so calculated as to cover such losses. It is difficult to conceive how property representing such a large value can have disappeared; one instance of which is indicated by the following Journal entry, June 30, 1858—"Stores account to Suspense account, For amount of coke not accounted for at Hadlow carried to suspense account, Journal No. 2, fol. 452, to ascertain if possible what became of it, but as no account of it could ever be obtained the amount is now re-transferred £782.6.10 $3129.38."—the price indicates that there must have been 700 or 800 tons of coke thus lost. To occasion such deficiencies there must have been much negligence, and perhaps some fraud; but the bulk of the deficiency has probably arisen from neglecting to charge, or from charging insufficient quantities, or at insufficient rates, to the several services, for which the articles were delivered. The deficit should in any case be distributed between Capital and Revenue in something like the proportion, in which stores and fuel had been issued to the several accounts. Now a considerable amount of stores is issued on account of capital, and some fuel, through the intervention of Locomotive Power, will ultimately be charged against it also; but by far the greatest part of the fuel, and a large sum for stores ought rather to have been charged against Revenue, especially as the principal stores, which are issued on capital account, are of a nature to be the least likely to be affected by casual waste or destruction. We will not attempt to make an exact distribution upon this principle, nor is it necessary for our present purpose, as although the transfer was made during the period to which we have limited our enquiry, the deficit had apparently been accumulating from the commencement, and the proportion of the whole which would be chargeable to Revenue during that period can hardly exceed $30,000 or $40,000. Since 1858, no such large deficiencies have occurred, or they have been covered by the percentage added in charging out. There is however a considerable discrepancy between the ascertained value of the stock on hand, and the amount at which it appears in the books.

There is one other considerable item, which has been charged to capital, which illustrates the necessity of establishing a Reserve Fund, viz: the expense attending upon the Steamboat explosion at Lougueuil in 1856, amounting to $51,021.20. It was kept for some time as an open account in the Ledger, and was finally closed in 1858, by carrying it to "Extra and additional works, Eastern Division," in the capital account. Now a contingency of this character has certainly nothing to do with capital, and still less with extra works; but it may not be fair to charge it against the revenue of the particular year when the accident happened. If there had been a Reserve Account established, to which repairs of an extraordinary character were charged, such an item as this might very properly have been included in it; and if a certain proportion of the Reserve Account, say 20 per cent., were annually charged against Revenue, it would have tend to equalize the amount annually available as the net profits of the road. In the present instance, although the entry was made in 1858, and upon the above principle about $30,000 would have been

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chargeable against the Revenue of the period with which we are dealing, as the expenditure took place principally in 1857, we have not in our revised statement of the account disturbed the original distribution.

A similar item for the expenses of the collision at Stark has been charged to Capital in the Portland Division, to the amount of $38,103.26, which for the same reasons we have not interfered with, though believing the method of closing the account an erroneous one.

The foregoing items have been excepted to in the main head "Works and permanent way" in the Capital Account, but there are other heads in which charges equally questionable occur. "Miscellaneous Stock," and "Telegraph," are comparatively insignificant in amount, but when such items occur under the former, as "repairs of furniture," and under the latter such recognized sub-heads, as "repairing instruments," "stationery" and "incidentals," it forcibly points out the danger of keeping open a capital account, to which such expenses can be charged. In the present state of the existence of the Grand Trunk Railway, the expenditure on these heads ought no longer to be considered an addition to capital. The whole amount charged under these two heads to capital during the two and a half years has been $55,612.92, but as $29,170.83 has been on account of the Western Division, which has been only lately finished, that amount may be allowed; but a large portion, if not the whole, of the remaining $26,442.09, should have been borne by Revenue.

The last head under which the expenditure of the several divisions of the road is distributed is "General expenses." This head embraces the salaries of the President, of the Managing Director and his Secretary, the Directors' fees, the salaries of the Audit Department and of the Solicitor, and such annual charges as rent, taxes, insurances, with office expenses, stationery and advertising, travelling expenses, &c. There does not appear to us in any sub-division of this general head, or in any of the items as we have examined them in the books, a valid reason why such general expenses should be looked upon as a constantly accumulating increase of capital, rather than, what they clearly appear to be, the annual cost of managing the undertaking. The whole of the amount of General expenses, at the least since 1858, viz: $291,043.47, should, in our opinion, have been a charge against Revenue.

The same principle applies to the London Office expenses, which form a separate item in the Capital Account, and which we think should, since 1858, be charged to Revenue to the amount of $61,929.01.

Of the remaining heads of the capital account there are only two which require any notice—The purchase of additional rolling stock is of course a legitimate expenditure of capital, but the condition of that stock is an essential element in deciding upon the correctness of the Revenue account. Now we do not know that it would be possible to obtain data, at the present time, for comparing the condition of the rolling stock at the beginning and at the end of the period we are considering; but during the past year there has evidently been a serious deterioration. Of the 203 engines which the Company had in October 1859, according to Statement B of the returns from the Locomotive Department, accompanying Mr. Blackwell's report, 158 are described as in good or fair order, and 45 as requiring or undergoing repairs; whilst of the 212 of which (exclusive of those on the Detroit line) their stock consisted in December last, Mr. Shanly (Qu. 34) reports only 155 in running order and 57 as requiring or undergoing repairs. The increase of engines out of repair from 23 per cent. to 27 per cent. is not very great; but if the corresponding statement of cars be compared with the same answer by Mr. Shanly, and with the intermediate statement of the date November 10, appended to Mr. Shanly's report (App. XIV, p. 102), it will appear that the number of cars out of repair had increased from 4 per cent, in October 1859, to 8 per cent. in November 1860, and 10 per cent. in December 1860, although the large addition of new stock in the interval, to the amount of 533 cars, should have reversed the proportion, and although the very serious deterioration, consequent upon this severe winter, had not commenced to operate at the date of the last return.

The amount paid annually on account of the Atlantic and St. Lawrence lease has hitherto been kept as an open account in the ledger, and has always been included amongst those open accounts, which in the aggregate form the Capital Account. We cannot think that this method of charging the rent payable gives a correct view of the financial position of the Company. But whilst we object to the system adopted by the Company, we equally dissent from that proposed by the Company's Auditors, who would charge it in the Revenue Account. It is true that the rent ought to be paid out of revenue, and if that prove unsufficient, if paid at all, it must be paid out of capital; but we think that the value of both of these accounts would be destroyed, by mixing up with either of them the annual charge for one section of the road. The debit side of the capital account ought to represent the cost at which the road has been acquired, whilst the credit side shews the capital raised for its construction. The revenue account should shew the receipts of the year on the one side, and the cost of managing, working and maintaining the road on the other. The rent payable for one part of it falls under neither category. It is a charge of the same character as the dividends (if any) on the share capital, and the interest on the debenture capital. The sums so payable annually by the Company in consideration of its property in the road have various orders of priority, and if the net profits do not enable it to fulfil its engagements, the creditors have various remedies against the whole or particular portions of the road; but otherwise we can see no distinction between the rents and the other annual charges against the company in respect of its capital.

Revenue account.

In the revenue account there are also some items which we think require revision. The carriage of the Company's property, or property for its use, is charged in two different ways, and there does not appear to be any very certain rule observed. 1st. The service of the engines and cars ballasting, and carrying rails and other property for construction and maintenance of way, is generally credited directly to Locomotive power and Merchandise charges, and the balance only of these two accounts is charged against revenue.

The amount so charged from January 1858 to June 1860, is thus divided.

To maintenance of way (Revenue)...............	94853.66
To works and permanent way (Capital)..........	120093.51
To contractors and others......................	73603.47
Total...............	288550.64

To this extent the charges against revenue are diminished. As carriage of this kind cannot be considered as true traffic, we believe this to be the proper way of charging the service performed, provided it is set down merely at the actual cost to the company.

In answer to our question to that effect (Qu. 84) we are informed that it is the practice to charge carriage of the company's property only at the real cost without a margin for profit; but in the case of similar work performed for the contractors a very different practice must certainly have prevailed, as the following entry in the journal sufficiently testifies (folio 203) "Suspense account to C. S. Gzowski, & Co. For the amount standing at the debit of C. S. Gzowski & Co.'s general account, written off for the present to suspense account to close accounts. Mr. W. Shanly's memorandum gives $21000 as the true value of the work done by our engines and cars for that firm, leaving balance of $23112.29 overcharged by the Locomotive Department on "Locomotive Power" and "Merchandise Charges" accounts. This amount is to be debited to those accounts in the sum overcharged in them, as arranged with Mr. Elliot, on behalf of the Vice-President, this 23rd October, 1860, the date of the entry being made. The debit in question is deferred in order not to press unduly on current revenue account." There can be no doubt that the $23112.29 has been improperly credited to two accounts which form principal charges against revenue, and when we find an overcharge of more than 100 per cent in one instance, we may be permitted to doubt, whether the amount charged for similar work against the company itself, where it was no one's personal interest to resist it, has not been equally overrated.

2nd. In other cases the fuel and stores, and sometimes rails also, are included in the general traffic, and cheques pass between the several departments, as if the carriage had been for individuals unconnected with the company. This appears to us to be objectionable in two ways. If the goods are charged for at the usual rates, a fictitious profit is created, and even if this be not the case, as we are informed it is not in the case of fuel at any rate, the traffic accounts, viewed as a statistical return, are unduly swelled. The traffic of this nature during the two and a half years we are considering has amounted to $181,376.97 being about 3 per cent of the whole traffic returned for that period. Had the whole of this amount been charged to the several services for which the freight was carried, it would have made no difference in the balance of the Revenue Account, as although $181,376.97 must be deducted from the credit side as not true traffic, a similar amount should have been credited to Locomotive Power and Merchandise Charges on the debit side. The whole sum however has not been charged,

$109,347.78 remaining undistributed in an account in the general balance sheet called "Outstandings of Departments." This amount the Company's Auditors recommend should be charged against Revenue, but it is clear that the whole of it should not be so treated, as the entries shew that a large portion was awaiting distribution amongst Capital Accounts. We have ascertained that the sum chargeable to Revenue by the Engineers' certificates is $46,930.86, of the remainder $46,966.88 is chargeable to Capital Accounts, $4,338.50 to Stores, and the rest, $11,111.54, is still undistributed.

The rent of the Detroit line appears on the debit side of the Revenue Account, June 30, 1860. We cannot understand upon what principle the Company, which has always charged the Atlantic and St. Lawrence rent to capital, should adopt a different method with the strictly analogous case of the Detroit and Port Huron rent. We believe for the reasons given above that both methods are erroneous. Still less can we comprehend how the Auditors should recommend that, after the balance had been struck, June 30, $86,836.44 on this account should be charged to Revenue, seeing that it had already been charged before that date. The sum in question they find on the *credit* side of the balance sheet as due to the Detroit Company. It consists of two items $81,721.71, being a half year's rent, which is charged in the half year ending June 30, and $5114.73 charged in the previous half year. This latter amount is one half of the gross earnings to that date, which under the first agreement was payable to the Detroit Co., but as this arrangement was overridden by the subsequent lease, $5114.73, instead of being charged a second time to Revenue, ought now really to be credited to it.

General Balances.

It remains for us to notice the General Balances, amongst which are several Items, which appear to us to be of a character to have been included in the Capital or the Revenue Account. The following, which are also so treated by the Auditors, should have been charged to Revenue.

Payment to Contractors for working Rivière du Loup section	$8,169 35
Ground rent Account, Quebec and Richmond	624 39
Pointe Lévi lease Account	1,240 00
Insurance	23,895 58
Hon. J. Hamilton, on Account of Steamers	3,815 00
Hire of Cars	77 85
To which we would add—	
Sarnia Hotel, which is not the cost of the Building but of Wines, Ales, &c., the Company being in fact Hotel Keepers	8,470 75
Maintenance Tools	5,237 33
Travelling painter for Victoria Bridge	4,866 67
Total	$56,396 92

Dr. CAPITAL ACCOUNT

		$ cts.
Amount at Debit of Capital Account, June 30, 1860....		57,340,389 33
Paid to Provincial Agents for Three Rivers and Arthabaska and Subsidiary Lines....................		736,995 83
Sundry Capital Accounts transferred from Balance Sheet		5,305 28
Amount of carriage of Company's property chargeable to this account, but standing in the books at the Debit of "Outstandings of Departments"...		46,966 88
		58,129,657 32
Less the following Amounts now transferred to Revenue having been erroneously charged to Capital since January 1, 1858 :—		
Transferred from Revenue to Capital, now reversed.......	179,630 39	
Proportion of deficit of Fuel and Stores June 30, 1858, (say)...........	30,000 00	
Proportion of Miscellaneous Stock and Telegraph, (say).....	25,000 00	
General Expenses....................	291,043 47	
London Office Expenses	61,929 01	
	$587,602 87	
Atlantic and St. Lawrence lease transferred to Charges on Revenue	2,248,766 22	
		2,836,369 09
Total cost of Road .... $		55,293,288 23

REVENUE ACCOUNT FROM

		$ cts.
To Expenses from January 1, 1858, to June 30, 1860		5,655,801 17
Less carriage of Company's own property which should have been credited in the Subsidiary Accounts	181,376 97	
Chicago and Detroit Company charged in 1859	5,114 73	
Do. lease charged in 1860.... ..	81,721 71	
		268,213 41
		5,387,587 76
Amount now transferred from Capital		587,602 87
Overcharge to Gzowski & Co. for carriage		23,112 29
Amount credited for carriage of Company's property, now transferred from "Outstandings of Departments"		46,930 86
Amount transferred from Sundry Accounts in the Balance Sheet........		44,964 01
		6,090,197 79

TO JUNE 30, 1860. *Cr.*

	$ cts.
Amount at Credit of Capital Account, June 30, 1860	60,290,146 42
Less Shares, &c., held by the Company..............................	201,179 99
Total Share and Debenture Capital..........	60,088,966 43

JANUARY 1, 1858, TO JUNE 30, 1860.

		$ cts.
Gross Receipts from January, 1858, to June, 30, 1860	$6,255,142 96	
Less Carriage of Company's Property included in the same,	181,376 97	
		6,073,765 99
Balance................................		16,431 80
		6,090,197 79

Dr. **CHARGES ON**

		$ cts.
Interest paid to December 31, 1857		3,544,636 49
Atlantic and St. Lawrence Lease to do.		1,354,084 02
		4,898,720 51
Interest paid from January 1858 to June 1860	$5,586,803 66	
Do. overdue	531,683 33	
		6,118,486 99
Atlantic and St. Lawrence rent, do. to do.	894,682 20	
Detroit rent	81,721 71	
		976,403 91
		7,094,890 90
Balance at Debit of Revenue from January 1858 to June 1860		16,431 80
		7,111,322 70

GENERAL

			$ cts.
Expenditure on Capital Account			55,293,288 23
Portland Sinking Fund			236,250 00
Cash			154,032 11
Toronto Debentures			400,000 00
Outstanding Traffic Accounts			763,028 13
Stores and Fuel			467,163 06
Sundry Debtors			119,552 84
Sundry Disbursement Accounts			79,077 03
Total Assets			57,512,391 40
Discount	$2,197,783 77		
Less Premium and transfer fees	333,370 54		
		1,864,413 23	
Preference Capital Expense Account		81,259 04	
Exchange and Commission		126,558 07	
Charges on Revenue Balance to January 1858		4,037,382 13	
Do. do. to June 1860		7,111,322 70	
Total Deficit			13,220,935 17
			70,733,326 57

REVENUE. *Cr.*

		$ cts.
Balance at Credit of Revenue Account, January 1, 1858	$872,771 29	
Less Amount accrued before January, 1858, upon Sundry Accounts now closed by charging to Revenue	11,432 91	
		861,338 38
Balance		4,037,382 13
		4,898,720 51
Balance		7,111,322 70
		7,111,322 70

BALANCES.

	$ cts.
Share and Debenture Capital	60,088,966 43
Loans from Bankers, &c	6,819,848 15
Bills Outstanding	2,475,572 79
Interest overdue	531,683 33
Rents overdue	81,721 71
Sundry Creditors	39,111 81
Sundry Disbursement Accounts	696,422 35
Total Liabilities	$70,733,326 57

The whole of this amount, however, has not accrued since January, 1858, but only $44,964.01, leaving 11,432.91 on account of previous years. The two items for ground rent Quebec and Richmond, and Pointe Lévi lease, which are included in this amount, are properly charged to Revenue, but they form only a small portion of the whole amount actually paid. The Company pays annually about $10,000 for ground rents and interest on instalments due on lands purchased. These small balances are unaccountably left in the Ledger, but the rest has been charged, upon no fixed principle apparently, part to Revenue, part to Capital and part to the General Interest Account.

The following Accounts belong to capital:

Paid to Provincial Agents for Three-Rivers and Arthabaska Road and subsidiary lines	$736,995 83
Port Hope Railway Junction	4,013 56
Union Station Toronto	539 76
Montreal extension	751 96
Total	742,301 11

We have endeavoured to prepare a Statement of the affairs of the Company revised according to the principles above laid down, which, we believe, will give a more intelligible view of its real position, than those published semi-annually. We have divided it into the following heads :

Capital Account.—With the exception of the Atlantic and St. Lawrence lease, the whole of the payments on which we have deducted, we have assumed all the amounts charged to Capital before Jan. 1st, 1858, to have been justly so charged, and we have carried to capital some accounts which have hitherto only appeared in the Balance sheet. From this Statement it will appear that the road and equipment have cost $55,293,288.23, whilst there has been raised by Share Capital and Bonds $60,088,966.43.

Revenue Account.—We have made the alterations above indicated in this Account, giving the benefit of all doubtful points to the accounts as they stand, and it would appear that, in our opinion, the true traffic receipts during the two years and a half ended June 30, 1858, have been $6,073,765.99, and the true expense of working and maintaining the road certainly not less than $6,090,197.79, or that the road during that period has not paid its expenses, exclusive of rents and interest.

Charges on Revenue.—We have opened a new account, to which we have given this name. This account should include on the debit side rents of sections of the road, interest on Bonds, whether paid or unpaid, and dividends on share capital, if any; and on the credit side the balance of Revenue Account, out of which they ought to be paid. We have not endeavoured to separate the interest on Bond capital from the general interest, which should perhaps more properly be classed with the loans, &c., out of which it arose. We have also included the interest unpaid in July 1st, though not really belonging to this half year, in order to shew the way in which we think it should be treated. We are of opinion also, that that portion of the Exchange and Commission, which represents the expense of remitting and paying the interest, should be charged to this account. It would have been difficult for us to ascertain the amount accurately, but it clearly leads to an erroneous impression of the financial position of the Company, if these, which are certain annual charges, are carried to an open account. We think that the balance only of this account should be carried into the General Balances, as we cannot perceive any object which is gained, by keeping the interests and rents on the one hand, and the net Revenue on the other, open accounts accumulating indefinitely. It will be seen that the balance, by which the net revenue has failed to meet the charges on it up to January 1st, 1858, has been $4,037,382.13, and since that period to June, 1860, $7,111,322.70.

General Balances.—The balance sheet, as published semi-annually, appears to us to have given a very imperfect view of the financial position of the Company. Accounts of a very different character, and of considerable amount, have been grouped together under such titles as "Sundry Accounts," whilst others of a very subordinate nature have been given separately. We have endeavoured to classify the balance sheet, making it a true statement of assets and liabilities, and grouping together such accounts as do not appear to be of either character, which in the aggregate may be considered as the profit and loss account of the Company. Assuming the great asset, the road, to be worth what it has cost, and that there are no bad debts amongst the other assets, it would appear from this statement that the total loss up to the June 30, 1860, had been $13,220,935.17.

REVENUE FOR THE HALF YEAR ENDING DECEMBER 31.

The ordinary traffic return for the last half of 1860, is given in the Appendix, together with statements of the Capital and Revenue Accounts and the General Balances, (App. XXVI, XXVII, XXVIII, p. 154-70;) differing in their arrangement in many respects from what has been the practice in former years, but still not in our opinion in as intelligible a shape as that which we have suggested for the preceding two and half years. We submit two detailed tables shewing the comparative increase of business and cost of working in the last year over 1859, together with some general results which may be deduced from them.

COMPARATIVE STATEMENT of Traffic of 1859 and 1860.

DISTRICT.	Quantity. 1859.	Quantity. 1860.	Amount. 1859.	Amount. 1860.	Total Amount. 1859.	Total Amount. 1860.
Atlantic—Freight Local........	84947½	82661¾	208370 47	196450 41		
" " Through.......	138178½	195963¼	228934 17	322584 52		
" Passengers Local......	66082½	64187½	60227 87	60751 53	605147 67	701448 95
" " Through....	82204	93577½	87205 05	100831 10		
" Mails, Express, &c....	......	......	20410 11	20831 38		
Eastern—Freight Local........	103324¼	107574½	147595 12	128919 34		
" " Through.......	90778½	167569	166692 51	289815 45		
" Passengers Local......	112794½	126480	138037 51	158165 23	551943 64	701832 86
" " Through....	24733	29775	63943 14	81344 00		
" Mails, Express, &c....	......	......	35675 35	43588 84		
Central—Freight Local........	99607	126570½	209822 00	250312 02		
" " Through.......	76174½	168027½	262839 88	471591 68		
" Passengers Local......	244146	242780½	378623 80	391734 68	1029268 82	1340779 02
" " Through....	36558½	46659	128843 01	174008 94		
" Mails Express, &c.....	......	......	49140 12	53131 69		
Western—Freight Local........	57869½	75548	93737 28	104154 90		
" " Through......	66821½	100799¾	31438 13	154564 77		
" Passengers Local......	118148½	133390½	107465 82	127515 26	263378 24	486775 95
" " Through....	5025½	24974½	12674 56	73793 58		
" Mails Express, &c....	......	......	18062 45	26747 44		
Detroit—Freight Local........	1012	5314¾	1355 06	9082 18		
" " Through.......	8263½	31939½	3521 92	21752 65		
" Passengers Local.....	4219½	30539½	4181 75	29876 55	10229 45	85672 86
" " Through.....	708½	18267½	1042 28	21737 98		
" Mails Express, &c.....	......	......	128 44	3223 50		
Undivided Receipts..........	......	......	1164 37	6747 12	1164 37	6747 12
Total........	......	......	2461132 21	3323256 68	2461132 21	3323256 68

	1859.	1860.
Total Freight.............	$1354307	$1949227
Total Passengers...........	982244	1219760
Total Mails Express, &c......	124581	154269
	$2461132	$3323256

The increase of receipts in 1860, over those in 1859, may be thus divided.

	Freight.	Passengers.	Total.
Atlantic District..................	18¾ per cent.	9½ per cent.	15¾ per cent.
Eastern do.	33 "	18½ "	27 "
Central do.	52¾ "	11½ "	32 "
Total on road completed in 1859.	35 "	13 "	25 "
On the whole road............	44 "	24 "	35 "

The several Sections have earned, during 1860, the following sums per mile:

Atlantic District	....	$4708
Eastern do.	....	2924
Central do.	....	4026
Western do.	....	2897
Detroit do.	....	1452
Total	....	3426

The accounts do not supply the means of comparing the through and local business, as this subdivision has relation only to the several Districts, and gives results of no real importance. Every thing which is taken up and set down at stations in the same division is considered local, but if it passes through the station separating two divisions it is called through. Thus a passenger going from Montreal to Scarborough (322 miles) is a local passenger, but if he goes from Scarborough to Weston (20 miles) he is through, because he has passed through Toronto. It is to be observed, however, that the through freight, properly so called, cannot exceed, and will certainly fall somewhat short of, that on the Western District, which is about 12 per cent of the whole. It is to be regretted that the returns do not enable us to distinguish between the freight upwards and that downwards, a question of vital importance for the future prospects of the road.

COMPARATIVE STATEMENT OF THE EXPENSES IN 1859 AND 1860, EXCLUDING RENTS, AND THE DISPUTED CLAIM OF THE GREAT WESTERN RAILROAD.

	1859.	1860.	Increase per cent.
Locomotive power.......	600,449.11	859,018.03	42½
Passenger traffic.........	220,842.81	259,121.91	17
Merchandise do	403,371.19	538,097.07	33
Maintenance of way......	647,690.07	788,202.50	21½
Miscellaneous	237,402.06	362,143.66	52
Total...............	2,109,755.24	2,806,583.17	33

The increase of locomotive expenses is very great, attributable no doubt mainly to the 35 per cent increase of traffic and greater length of road, without any corresponding addition to the number of locomotives, but also partly to the general stock being older. The cost of the passenger and merchandise traffic has increased in a much less proportion than the two kinds of traffic themselves. Under the head maintenance of way, the comparison of the whole year gives a much more favorable result than that deduced by Mr. Shanly, (Qu. 176) from the two half years, ending Dec. 31. The increase given above is in a great measure owing to the increase in distance. The cost per mile in 1859, was $723, and in 1860, $812, being an increase per mile of only 12 per cent, a proportion very much below the increase of traffic to which it has been exposed. The very large increase in the last item is mainly owing to charges not héretofore made against revenue, and to the loss by the contracts with the Steamers. The entire expenses have increased very nearly in the same proportion as the receipts, the expenses being 85½ per cent. of the receipts in 1859 and 84 per cent. in 1860. It must however be observed, that in the last year revenue was more fully charged with what belonged to it, than in the previous year. Thus, though the percentage of profit shewn is about the same, it is more truly a profit, and it is larger in amount by 33 per cent.

CAUSES OF THE SMALL RETURNS.

In spite of the improvement in the traffic during the past year, it is evident, that a much larger profit must be realized, than any that has hitherto been reached, if we are to entertain hopes of the road being self-sustaining; and it becomes the most important part of our duty to enquire into the causes of the disastrous state of affairs which has hitherto prevailed, and to point out the direction in which improvement may be hoped for.

One of the principal causes, which has been strongly insisted on by every one connected with the Company, is the deficiency of rolling stock. Mr. Shanly, in his report of November last, which will be found in the (App. XIV) has given a tabular statement (C p. 97) of eight of the principal roads in North America, shewing the number of engines and cars per mile, and the gross earnings and expenses of each; and taking the Great Western of Canada, and the Michigan Central, as bearing the greatest analogy to our road, he has shewn that the Grand Trunk would require an addition of 31 engines and 508 cars, or of 61 engines and 846 cars, to stock it as fully per mile as those two roads respectively. He argues, moreover, that "all persons conversant with railways will readily concede, that a long road ought to have a larger equipment mile per mile than a road of one half or one third the length"---This latter conclusion we are not prepared to admit. If we consider only the through traffic, there is a definite amount of time lost, and of expense incurred, in loading, unloading and handling the cars at the two termini, which is the same whether the road be long or short, and as the speed and cost of moving are independent of the length, it follows that the same number of cars will take a ton of goods over more miles, and at a less cost, on the long than on the short line; and the same thing will be partially true as to the local traffic. It is true that there will be practical difficulties in giving the same close superintendence on a long line, just as it requires more skill and a more perfect organization to manage an army successfully, than to command a batallion; but the certain advantages in favor of the long line must largely overbalance the minor inconveniences. Were it otherwise, it would seem to follow that the Grand Trunk would yield larger returns, if it were divided into three sections, each working independently of the other, and without a central office to harmonize the whole—a conclusion which it would be very difficult to assent to.

It will be admitted however, that to enable the Grand Trunk to perform an equal amount of work with the two roads in question, its equipment ought to be more nearly upon the same footing. But although an increase of rolling stock is clearly desirable, we cannot close our eyes to the fact, that the Grand Trunk has not made nearly the same profitable use of the rolling stock it has, which it ought to have done, and which is made by other roads. We have compared it in this respect with the New York Central, and Pennsylvania Central, as roads which give the fullest returns, and we submit the result in a tabular form.

Comparative Statement of the Engines and freight cars, and of the work performed by them, on the New York Central, the Pennsylvania Central and the Grand Trunk.

	New York Central, year ending Sept., 1860.	Pennsylvania. Central, 1859.	Grand Trunk, year ending, June, 1860.
Length of road (exclusive of the Rivière du Loup section.)	556 *	356	970
No. of Engines.............	207	205	216
No. of miles of road to each Engine.................	2.68 *	1.73	4.51
No. of freight cars of all classes.	2644	2197	2610
No. of freight cars per mile...	4.75 *	6.17	2.69
Total tonnage moved........	1028183	1170240	622971
Mileage of one ton..........	199231392	180333140	97970102
Annual mileage of each Engine.....................	21706	16070	11550
Weekly, do	417.5	309	222
Daily, do	69.5	51.5	37
Average load of each Engine in tons................	44.3 ‡	54.7	39
Yearly mileage of one car with 10 tons................	7535	8.208	3753
Weekly, do	150	159	72
Daily, do	25 *	26½	12

It is to be observed, with reference to the items marked (*), that the New York Central has a double track for nearly 2 thirds of its length.

If we only take it for one half of the length, the effective length of the road becomes 334, and the number of miles to an engine, and of cars to a mile, becomes 4 and 3.3, more nearly according with the equipment of the Grand Trunk. On the other hand there is no doubt that a road with a double track can make more effective use of its rolling stock, and the much larger amount of work done by one car on that road, than what is accomplished by the Grand Trunk Company, may be partly attributed to this cause.

It is also to be borne in mind (‡) that the New York Central is a passenger road to a much greater extent then either the Pennsylvania Central or the Grand Trunk, and as the average load of freight per engine is calculated on all the engines, whether passenger or freight, the returns not enabling us to distinguish between them, the comparison in this respect with the other two roads does not do full justice to the carrying capacity of the New York Central.

It may be supposed that this inferiority in the amount of work done by Grand Trunk cars is owing to their running westward to a great extent empty, in consequence of a deficiency of back freight, a circumstance frequently dwelt upon in former reports to the Company, and in the evidence laid before us. But the Grand Trunk does not really compare unfavorably in this respect with other American roads. On the New York Central the proportion of freight eastward to freight westward is 730,258 to 297,928, or 100:41; and on the Pennsylvania Central it is 480,141 to 274,213, or 100:57. The Grand Trunk does not publish returns of its downward and upward freight; but we have obtained a statement of it from Mr. Hardman (Qu. 223), who gives 413,074 to 209,897, or 100:51. There is little doubt that this proportion gives an exaggerated view of the freight upwards, as on the average it is carried for shorter distances; but the same remark will apply to the other two roads, and it is a very favorable feature in the traffic of the Grand Trunk, that in this most important particular it compares so well with its great rivals. It is true that we can no longer consider 10 tons an average load for a car. The utmost average load which they can take both ways will be

On the New York Central, - - - - -	7.05	tons.
On the Pennsylvania Central, - - -	7.85	"
On the Grand Trunk, - - - - - -	7.55	"

But if we correct the daily journey of a loaded car, as given above, by these figures, though the mileage will be greater, the relative position of the three roads will hardly be altered. The daily mileage of a car with the full average load which the business of the line admits of, will be

On the New York Central, - - - - -	$35\frac{1}{2}$
On the Pennsylvania Central, - - -	34
On the Grand Trunk, - - - - - -	16

During the past half year there has been a considerable addition to the number of cars, increasing the number per mile to 2.90, and the traffic has also increased, but if the same calculations are made, the average daily work of a car comes out almost identical with that of the previous year.

From these calculations we think that the unavoidable conclusion is, that, deficient as the rolling stock may be in number, it is not kept as usefully and constantly employed as it ought to be, and as it is on other roads. The engines run a less average number of miles per day, and draw on the average a less load, and the freight cars do not on the average make one half as long a daily journey as those of the two roads under consideration.

Whilst pointing out the small amount of work which is performed by the existing rolling stock, in comparison with what is accomplished on other railways, and in expressing an opinion that it is in part owing to defective management and an imperfect organization of the traffic department, we are fully sensible that one very material cause of it is beyond the control of the officers of the Company, and arises from the insufficiency of the station accommodation at almost all the important points on the road.

This has been a constant and just cause of complaint, and we would refer to Mr. Shanly's report (App. p. 89) and to his evidence (Qu. 36-41,) as also to the evidence of the Honble. John Young (Qu. 114) and Messrs. Esdaile (Qu. 140) and Heward, (Qu. 141), which relate principally to Montreal, but the same difficulty exists, though perhaps to a less extent, at almost all the principal stations. Whilst there has been the most pressing demand for rolling stock to carry away the thousands of tons of produce, which have been accumulating at all points of the road, the loaded cars have been lying idle for days, and even weeks, from want of storage room for their cargoes; and when they are unloaded, it is by the slow process of manual labour, often in situations difficult of access, instead of there being mechanical facilities afforded to make the cars available in the shortest possible time for another trip. It would doubtless be desirable to increase the stock of cars and engines, but the first and greatest want is to provide the means of working what they have to advantage, without which we fear that any material addition would only increase the confusion, and still further block up the road.

Making every allowance, however, for this deficiency of appliances for a large freight traffic, which is the main difficulty, and which has incidentally led to other causes of delay, we cannot look back at the evidence which has been laid before us, without expressing our opinion, that there has been mismanagement and defective organization to a very serious extent. We have not specially sought for examples of this; they have presented themselves to us in every direction. We have only called for the evidence of a few of the customers of the road to establish some instances, but similar cases have been given to us by almost all persons who have had dealings with the Grand Trunk. When produce has been delayed for weeks in passing over a few hundred miles (Qu. 96, 139, 191)—when we hear of a ship having to leave Portland without part of her freight, although it afterwards proved that the freight, amounting to 2000 bls. of flour, had been lying for some weeks in the cars at the port from which the ship sailed (Qu. 115)--when upon another occasion the company go to arbitration upon a quantity of wheat short delivered, and the arbitrator traces the missing grain to three loaded cars lying at their own head station at Montreal (Qu. 116)—when it is within the personal knowledge of one of ourselves, that cars having been obtained with great difficulty to go up to Collingwood for flour, one of them upon being opened was found to be full of wheat, which had come back certainly 96 miles, and possibly all the way from Montreal—and when the same member of the commission has known loaded cars to be a week or ten days in being moved from the Queen's wharf at Toronto to the Don station at the other end of the City--when we know that these are not solitary instances, but that similar occurrences could have been multiplied in the evidence, we must come to the conclusion that no addition of rolling stock, and no extension of station accommodation, could improve the position of the company, until there is a better organization of the traffic department.

It would evidently be impossible for us, nor is it our duty, to suggest the reforms in the internal organization and management of the Company, which might be expected to prevent the recurrence of such disastrous delays, as have occurred during the present season—delays which have been aggravated by the unprecedented accumulation of snow on the track, but which cannot be attributed solely to that cause, as the dates of some of the instances we have given clearly prove. We may, however, be permitted to point out some of the defects in the present system, which, in considering the cases which have come under our notice, have struck us as mainly contributing to produce the result.

The great extent of the line must always render the efficient management of it more difficult than that of a shorter road, and the difficulty must be met by a more perfect organization than has been found necessary on other roads. Thus on a road of moderate length, and with its main traffic running between the two terminal points, the difficulty of maintaining a vigilant superintendence over the employment of the rolling stock will be much less, than on a road of such a length as the Grand Trunk, and with so many centres of business. In the former case, the manager has it almost under his own eye, but in the Grand Trunk he can only judge from the reports of his subordinates. There does not appear, however, to have been established any sufficient system of reports, from which the General Manager, at Montreal, can see where his rolling stock is, and how employed. In many of the cases which have come before us, the cars and their load have been as it were lost, and the owner of the freight has had to make a search for it, which clearly should have been unnecessary. We do not believe that the rolling stock of the Grand Trunk can ever be worked up to its full capacity, until the Manager at Head Quarters can at all times see how his cars are distributed, and how employed, so as to be able to keep a check upon the punctuality of his subordinates. Under such a system, it would have been impossible that 20 cars loaded with flour should have been lost sight of for some weeks at Portland, or that a goods train should be detained a week in Toronto, in passing from the hands of the Superintendent of the Western, into those of the Superintendent of the Central District.

Another evil appears to us to be the division of responsibility amongst the several Departments. Each District has a Superintendent, who is responsible to the General Manager, but there is little concert between the several Superintendents, and at Toronto there is a debatable ground of two miles between the end of one District and the beginning of another. The Traffic Manager makes contracts for carrying freight, but he cannot say when it will be moved, for he has no control over the rolling stock. The General Manager has authority over the latter when on the road, but he is dependent on the Locomotive Superintendent, the head of an independent Department, for his supply of engines and cars, who says he supplies them "when practicable;" even the two principal authorities on a train in motion, the Conductor and the Engine driver, are servants of separate and independent Departments. So also, when the road is blocked up with snow, the Engineer supplies and directs the manual labour, whilst the General Manager alone can run the snowploughs, which the Locomotive Superintendent alone can furnish. It is doubtless necessary to maintain separate Departments, but there appears wanting an executive head to harmonize the whole—not merely a Managing Director, whose attention is necessarily engaged with financial arrangements, Board meetings and the general interest of the Company, but a practical Manager, who should have full authority over every thing which affects the working of the road, whether engines and cars, or fuel, or the maintenance of the roadway, with, as Mr. Shanly suggests, a travelling assistant who should be constantly moving over the line. In connection with this subject see the evidence (Qu. 102-5, 146-58, 171, 209, 229.)

These appear to us the principal defects at present, but no improved system would work satisfactorily until more storage room and siding, and greater mechanical facilities for loading and unloading rapidly, are provided at the great centres of trade, and where the railroad comes in contact with the water and with other lines. Were these provided, and the punctuality of the Company in delivering freight ensured, and, we may add, were its financial position such, as to inspire confidence in the mercantile community in its ability to be accountable for the property entrusted to it, we believe that freight would offer itself to an extent, which would justify any increase of the rolling stock, up to the limit which could be worked on a single track. The local business of Canada alone would in ordinary years give very full employment to the road, whilst, if the Through Traffic can be taken at renumerative rates, the amount of produce, seeking an outlet from the west to the sea board, is enough to supply all the existing routes with as much business, as their Local Traffic enables them to accommodate.

The last season has, no doubt, been an extraordinary one, from the great abundance of the harvest; but it must be borne in mind, that the peculiar circumstances of this continent dictate a different policy, from what is the rule in older settled countries. There the traffic is pretty uniform during the year, and there is no great difference between the upward and downward freight. Here, not only the bulky nature of our principal exports occasions the eastern traffic very much to exceed the western, but as the former is, to a great extent, farm produce, it occupies the road generally for a limited portion of the year. For the same reason, a plentiful harvest in Europe principally acts upon the carrying business indirectly, as giving a general liveliness to trade, whilst here it operates immediately, as supplying the great bulk of the downward freight. The consequence is, that every carrier here must be equipped to do the full business of the active months, though at other seasons he may be overstocked with plant, and to a minor extent, he must be prepared to carry the freight of active years, though in others he may not be fully occupied. He must, moreover, expect to make his profit principally in one direction, and to return but partially loaded. For these reasons it is evident, that the proportion of rolling stock to the freight actually carried must be very much greater on this continent, than where traffic is more equalized. We are willing, therefore, to recommend a large addition to the rolling stock, but not until such other changes are made, indicated above, as will enable it to be used to full advantage.

In thus expressing our opinion as to the amount of business, which may be expected under better arrangements to flow over the Grand Trunk Railway, we have implied a doubt as to the through traffic yielding remunerative rates. It is no new question, but one upon which opinions have been long divided, not only in Canada, but in the neighbouring States of the American Union. In spite of the unequalled natural channels, which the St. Lawrence and the Mississippi and its tributaries afford for penetrating into the heart of the continent, and in spite of the numerous artificial routes which have been opened into it, the trade of the west has increased as fast as the means of outlet have been provided, and the strife after this great carrying trade has been the leading feature of all the American undertakings of this character. It has been the cherished policy of Canada to draw it down the St. Lawrence; and the Erie Canal, and all the great lines of Railway, have looked to it as their main source of profit. The consequence has been a spirit of competition, which has reduced the rates to the lowest verge, which will yield any profit at all, if it has not in some cases fallen below it. Whilst the rates for local traffic have been maintained, those for the western trade have been reduced so as to raise reasonable doubts upon this subject, and there have been few subjects of commercial interest more thoroughly canvassed of late years, than the disproportion between the rates for through and local traffic. Whilst on the one hand, it has been doubted whether the Railroad Companies have been pursuing a wise policy in their own interests, on the other hand, the public at large has entered into the controversy, and has raised the question, whether it is just to it that the local rates should be so much disproportioned to those for the through traffic, and whether, during the most active months, the disposable means of the roads have not been too exclusively employed to forward the distant freight, to the serious inconvenience of that awaiting transport along the line. It is argued, that the through traffic is really carried at a loss, which is compensated for by the extra charges upon the local business, which is comparatively free from competition.

It is so evident that the freight, which goes over the whole line, can be carried at little more than the cost of moving, whilst the local traffic must bear the expense of the stations and staff along the line, and of the frequent delays and waste of power, consequent upon the fragmentary nature of the business, that it is believed the popular cry for a *pro rata* tariff is not now sustained by persons of intelligence; and the uniform persistence of all roads in the same policy must lead us to believe, that commercially it has not been found disastrous. Still, it is clear that the limit has been almost reached upon most roads, below which an increase of through business would only be an increase of loss. If this is the position of all the leading lines, and that each is obliged to fix its maximum rate, from any of the western centres to the sea-board, at what the others charge, it follows, that the question, of whether it carries at a loss or not, must depend upon very trifling differences in the advantages of each line.

Now, from all the great markets in the west, the distance is greater to Portland by the Grand Trunk than by other lines to Boston, New York or Philadelphia; the climate makes the expense of maintenance fall heavier; and, whatever may be the cause, there is no doubt, that the average load which can be taken is smaller than on most of the other roads. On the New York Central, a very common train is 30 loaded cars, whilst on the Grand Trunk, even in fine weather, 20 appears to be the limit, and on some sections they cannot exceed 15. We cannot therefore believe, when the through rates from Chicago to New York and Boston yield barely a profit, that the Grand Trunk can afford to carry from Chicago to Portland at the same rate, which Mr. Shanly in his report (App. p. 93) shews to be 16 per cent. per mile lower than that to New York Yet, in grasping at a large western trade, which swells the apparent traffic, and diverts their attention from a more legitimate business nearer home, without any corresponding profit, the Grand Trunk has even attempted to underbid the other roads. In their advertisement for through rates for the winter of 1859–60, they proposed to carry freight from Liverpool to the West *viâ* Portland for less than the current rates from New York to the same places—according to a pamphlet published in New York in 1860, entitled: "Legislative Restrictions on the carrying trade," their rates were less to Detroit by \$2 10, and less to Chicago by \$7.67 per ton. Latterly the five leading roads have met in convention, and have agreed to charge the same rates from each central point to the Ocean, and the longer and most expensive route must carry at a disadvantage. Yet, with a manifest inferiority in taking freight even to Portland, the desire to obtain through business has led the Company to carry it on to Boston at the same rate. It appears doubtful to us whether it does more than pay to take it to Portland, but out of their scanty earnings they pay \$1. 50 per ton to another company to take it on to Boston.

The policy of the Company in this particular appears to us to be so mistaken, and so injurious to the best interests of the road, that we do not hesitate to consider it more in detail. Up to February, 1861, the rate from Detroit to the Ocean, as fixed by the Convention, was 70 cents per barrel for flour, and whether the freight was delivered at Portland or Boston, the Grand Trunk charged the same rate, although in the latter case, it had to pay out of the 70 cents 15 cents to the steamers which run between Portland and Boston, leaving for the Grand Trunk only 55 cents or about $\frac{44}{100}$ of a cent per mile. The Revenue accounts shew, that for the last two years the proportion of 85 per cent, which the running expenses bear to the receipts, has remained nearly constant, and supposing the through business to yield the average profit, which may well be doubted, it would cost the Company, in running expenses and maintenance, 59½ cents to take a barrel of flour from Detroit to Portland, leaving a net profit of 10½ cents. Yet they pay 15 cents to the Boston Boats, and have consequently expended 4½ cents for the privilege of carrying the barrel, and of swelling their aggregate returns of business.

In the foregoing calculation we have taken the rate on flour downwards as our guide, but the returns enable us to make a somewhat similar estimate upon the whole traffic. From the statement given in Appendix XVI, C, for the half year ending June, 1860, it appears, that of the trade to Boston, about one-third in quantity comes from Detroit, yielding rather more than one-third of revenue. Taking this, which is the real through traffic, which such efforts are made to obtain, it will be seen that it is taken at the average rate downwards of $6.276 per ton, or 0.735 c. per ton per mile, rather more than our former estimate; and as the back freight yields a higher rate, the average rate per ton per mile both ways is 0.786 c. It further appears, that the proportion of freight from Detroit to Boston is to the return freight as 6,517.05 : 418.72 or as 100 : 6.42 : so that if we take 10 tons as the full load of a car, the average load both ways will be only 5.32 tons per car or 106.4 tons per full train of 20 cars. The average earnings of a full train engaged in this trade will therefore be 83.630 cents per mile. Now referring to the statement of the cost of the Locomotive and Cars Departments appended to Mr. Shanly's report (App. p. 101) it appears, that in the same half year, the cost of engines per train mile run was 28.922, and of twenty cars 21.740c.; and the cost of maintenance of way per engine train mile being 21.383, it follows, that the trains, which earned 83.630 c. per mile in this trade, cost in these three items alone 72.045 c., or 86 per cent — rather more than the proportion of expenses of every kind to receipts on the whole line. We think therefore that we are fully justified in our opinion, that the through business is the least remunerative part of the traffic of the Grand Trunk; and if we could add to the three heads of expense already named the fair proportion which it should bear of other expenses, some of which, as the ferry at Sarnia and the American Agencies, arise almost altogether out of it, we believe that it would be found, that every ton of the much coveted through business is carried at a positive loss.

Next to the trade of Detroit that between Toronto and Boston is the most important, the two forming nearly two-thirds of the whole Boston business, and it is carried at a scarcely less loss, the expenses under the three main heads being upon the same principle found to be very nearly 84 per cent on the receipts. Almost the only portion of the business which is carried at remunerative rates appears to be that of Montreal, which is principally composed of up freight, and yields an average rate of 1.725 c. per mile; but it is insignificant in amount, being only $8,815 out of $129,725.

The reasons assigned for this apparently improvident arrangement are, (Ques. 144) that Portland furnishes no buyers who contract for through freight, whilst the applications from Boston are numerous; and that a certain amount of up freight can be obtained from Boston, which is a point of the greatest importance. As to the latter reason, it does not appear to us that the returns exhibit any superiority of Boston in this respect. By Mr. Hardman's return already quoted, (Ques. 223) the up freight on the whole line was 51 per cent of the down freight, but the return freight from Boston was only 18½ per cent in amount, and 22 per cent in value, for the half year ending June 30th, and almost the same proportion is maintained in the next half year. On the other hand, the traffic return for the year ending June 30 shews the freight outwards from Portland, which includes the Boston business, to have been 72,212 against 148,720 inwards, and Mr. Allan's evidence (Ques. 169) proves that the trade of that port during the past winter would yield one-half as much return freight as was brought down. The Boston market may now furnish an amount of business which the managers are loath to resign, but we cannot believe that at the present rates it is worth retaining. A similar business to Portland may be remunerative with proper care, and the want of it at that port is stated in Mr. Shanly's Report (Appendix p. 86) to be the great difficulty in the future propects of the road. Fully admitting this, we cannot conceive a more destructive policy than that which passes over Portland, and carries the trade through to Boston. If it be desired to foster a trade at Portland, it appears hardly consistent to carry it at the same rates to Boston. The larger market will always be preferred both by the buyer and the seller, the shipper and the ship-owner, unless some advantage is gained by going to the smaller. It is not desired that the Grand Trunk should make any sacrifice to favor Portland, but merely that it should let it retain its natural advantage as the terminus of the road, and should abstain from making a sacrifice to carry the freight beyond it to Boston. The harbour is an excellent one, and free from all charges, and the accommodation for shipping, according to Mr. Allan's evidence (Qu. 166-7), is even now good, and might easily be extended. Were the trade allowed to take its natural course, we believe, and the experience of this winter proves it, that a sufficient amount of shipping would frequent that port to carry away all the freight, that the road could bring down. There would arise the further advantage from this course, that whereas the westward freight at Boston has many competing lines to carry it away, and but a small portion falls to the share of the Grand Trunk, the Company would take the whole of what arrived at Portland, and that port would continue to maintain on an increased trade the same superiority, which it now exhibits over Boston with respect to return freight. If it be argued, that the other roads would, in this case, lower their rates, and drain away the business from Portland, we believe that it would be prudent in the Company to abandon the contest, rather than to carry at a certain loss, and to give greater attention to the already large local traffic, which we feel convinced is susceptible of being much more extensively developed.

In connection with this subject we cannot refrain from quoting a passage from the able report of the Railroad Commissioners of the State of New York in 1855, which gives such an accurate outline of the history and career of the Grand Trunk, that one can hardly believe it to be a mere general description, and not based upon the particular case.

"In the natural anxiety to secure the construction of the work, estimates are presented underrating the cost and overrating the prospective profits.

"These under-estimates require an earlier resort to loans, and the first bonds being exhausted before the completion of the work, the issue of a second series becomes necessary, while the equipment is either left wholly or in part to be obtained by a floating debt, pledge of income, or some other financial chicanery.

"This early resort to debt, before enough has been expended to give a good basis of security, involves a large discount, which is perhaps doubled with the second issue; when a floating debt becomes the only means of financial completion, the rapacity of the lender is the only limit to the shave which must be paid.

"Such a process sinks the value of the stock to its lowest ebb, and the continued drains for the payment of heavy interest keeps it there beyond the hope of recovery.

"Moreover contracts made wholly or in part payable in stock or bonds, greatly enhance the cost of the work; and the contractors are rarely able to hold such securities, and must hypothecate or dispose of them at a ruinous discount, and the Company must pay increased prices to provide for such losses.

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"It is a common and most delusive error to suppose that Companies can be advantageously supplied with money by mere financial operations; those who have tried it have found to their cost that it but defers trouble to some period when it will return upon them, loaded with a frightful mass of discount and accumulated interest, to swallow up all that has been contributed in good faith by the Stockholders.

"To errors made in the first construction of some roads is added a constant increase of the capital from year to year, until the point is reached where the profits on even a large business are insufficient to meet the interest of its cost, and sometimes even of its debts. This increase of cost grows out of a departure from the objects aimed at in its original construction, and a chase after the phantoms "through business," "western connections" and "tributary roads;" while by the expenditure of further sums for "more equipment," "larger depots," "steamboat connections" and "material aid" to connecting roads, an aggregate capital has accumulated, the interest of which will impose a tax upon its local business, inasmuch as for its through business it is compelled to maintain a competition with rival lines, which can and do perform it at a minimum profit.

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"A considerable portion of this increase of business is done at too low rates to be profitable, while a large portion of the *legitimate* increase would have been received without an effort on the part of the Managers.

"The Stockholders and the public are continually informed of their large receipts, of the increase over those of former years, and of the prospects of future business, all of which they are led to believe can be done without any corresponding increase of expenses, but year by year they find that with the realization of the full amount of anticipated business, their net receipts are not only not increasing, but that in the meantime their stock is being diluted, or their property loaded down with funded or floating debts; and also that the expenses of working the road have increased faster than the proportionate increase of business."

In spite of such warnings as these, the temptations of the apparently inexhaustible business of the West, have proved too strong to be resisted, and the through traffic has been, and will probably continue to be, eagerly sought for, and too often dearly purchased. It is not that it forms the main business of any of the roads, for in all the local traffic exceeds it in amount. It is not that it is the most remunerative, for the local traffic is universally acknowledged to pay the best. This is clearly admitted by Mr. Shanly in his report (Appendix page 82,) yet the main argument in favor of the through business is, that it can be carried so much cheaper than the local—the former at little more than the mere expense of moving it, whilst the latter must bear all the cost of the stations along the road. That it can be carried profitably at a lower rate, there can be no doubt; but it is by no means so clear that the proportion between the rates has been hit, or or that $\frac{64}{100}$ of a cent per ton per mile from Detroit to Portland, can pay as well as 1 $\frac{82}{100}$ cent from Toronto to Montreal. Besides this, it seems to be forgotten that, if the local traffic entails charges peculiar to itself, the through business has also its own expenses, from which the local is exempt. The former offers itself spontaneously, the latter has to be sought after, subsidized, and coaxed into the line by an expensive machinery. We have endeavoured to set down some of the expenses which the strife for foreign business has entailed upon the Grand Trunk during the past year.

The Detroit and Port Huron road was not in any way wanted for the trade of Canada, but was merely acquired as a feeder, from which the trade of the west was to flow into the Canadian road. For this branch a rent has been paid, or rather incurred, of.................. $169,321.71

The expense of working it has been..........	161,046.26	
The receipts..................................	85,672.87	
Loss in working............................	75,373.39	
Sarnia ferry..................................	14,631.39	
		90,004.78
Total cost of Detroit road..............................		259,326.49
American Agencies..................................		42,512.59
Paid Boston Boats....................................		60,757.99
		362,597.07

As the whole foreign tonnage for the year ending June 30th was, according to Mr. Hardman (Qu. 223) 93,686 tons, (that for the year ending December

31 is not accessible), it appears that the Grand Trunk expended about $4.00 per ton to procure foreign traffic, which we have shewn before that, when they had got it, they carried at a loss.

This is evidently a very rough estimate of the result of a year's grasping at foreign trade. It is unjust to the through business, inasmuch as the Detroit Line was not built for one year's work, and will probably serve hereafter as a more efficient ally, and it moreover omits all consideration of passengers. But, on the other hand, it takes no account of other injuries to the best interests of the road, resulting from the undue prominence given to the through business. Thus the resources of the Company have been weakened, and their ability to accommodate the local business has been impaired. An expensive station has been undertaken at Sarnia and the only elevator on the line has been built there, at which, if we are rightly informed, two cargoes of wheat have been transferred to the cars, whilst at Montreal, the centre and key of the trade of Canada, the owners of wheat have suffered, according to the evidence of gentlemen in the trade, a depreciation of 5 cents per bushel in consequence of the difficulty of unloading it; and whilst the Company itself, complaining of a want of rolling stock, has been obliged to convert its cars into grain warehouses for days and even weeks, from the impossibility of freeing them from their cargoes.

The loss which has been suffered by private individuals, and by the Province at large, during the past winter from the difficulty of getting their produce to market, would be difficult to estimate, but must amount to a very large sum. Amongst the very few witnesses we have examined on this point, we would especially refer to the evidence of Mr. Jas. Young (Qu. 96), Mr. Esdaile (Qu. 139), Mr. Heward (Qu. 141), and Mr. Howland (Qu. 191, &c.) We are far from attributing the whole of this to the Grand Trunk. The unusual severity of the winter, and the abundance of the harvest, which crowded upon them whilst unprepared to meet the demands of the public, can hardly be charged against the Company. We believe, as is stated to us by the officers of the Company, that when the pressure came, a preference was given to Canadian produce, and that the through business was almost abandoned. But amongst other causes, which have been above alluded to, and which will be referred to hereafter, of injudicious arrangements on their part, we believe that the confusion and delays of this season may to a very great extent be attributed to this, that all their attention had hitherto been given to, and their main policy based upon, the attainment of a large through business, to the neglect of the accommodation which might be required of them for the trade at their own doors.

We have before said that this is no new subject of complaint on this continent, and that all the leading railways in the United States are charged with the same neglect of their local business. But in the nature of their local trade they differ very much from Canada. The country through which they pass has, in most cases, ceased to be a great grain exporting country, and their principal local business is either independent of the produce of the farm, and therefore more evenly spread over the year, or it is a flour manufacturing business, and therefore as dependent upon the western traffic for its materials, as it is upon the local traffic to send it to market. But a large portion of Canada is as much a producer of grain as Illinois itself. If the trade of the West be an object of ambition, the Grand Trunk has a portion of it at every station of Western Canada. When the farm produce at Chicago is seeking an outlet, so is that at Guelph, Toronto and Port Hope, with equal need for speedy transit, and with a better right to demand it. If ever the popular cry, that the local business must be served first, can be justified, it is on a road situated as is the Grand Trunk Railway. We repeat that we do not charge the Grand Trunk with having neglected Canadian interests this winter. We believe that the managers of the Company have done every thing, which defective arrangements and insufficient accommodation enabled them to do, to serve the trade; but we think that there have been radical defects in the policy of the undertaking, which have hampered their proceedings, and that, from an undue prominence given to western through business, they have been unable to effect for the trade of Canada what under a wiser system might have been accomplished.

It may be asked—do we then recommend that the Grand Trunk should retire from its position as one of the five great Railroads communicating with the West, and sink to a mere local road for Canadian traffic. This is by no means our desire. We believe, when a road has practically obtained a monopoly of that species of carrying trade, and has been constructed partly at the expense of the Province, that the people who have granted these privileges have a right to expect that their wants shall be considered first, especially when the rates charged to them are far higher than those at which the more distant freight is carried, and that it is not only the duty, but the true interest of the Company, to make provision for this. But we are likewise of opinion that, had the Grand Trunk pursued a wise policy, it might also have obtained a fair and remunerative share of the great traffic of the West.

For more than one-half of its length the Grand Trunk runs parallel to the grandest water communication in the world. This is a fact which cannot be ignored, and upon which the prosperity of Canada, and of all interests connected with it, mainly depends. As long as the St. Lawrence flows from the Western Lakes to the Ocean, at certain seasons of the year, and for bulky articles, of which the exports of America principally consist, the water must continue to carry them at rates, which would be ruinous to a Railroad. It is useless to fight against nature—we must accept it, and endeavour to turn it to the best account. Yet from the inception of the Grand Trunk almost down to the present time, the policy has been to run in competition with the water,—to regard it as an enemy rather than as a most efficient ally. With the exception of Toronto, there is not a point from one end of the road to the other, where the object has not been, and we believe avowedly, to render communication with the water difficult and inconvenient—to run for more than 300 miles, within a mile or two at the most of the navigation, and yet to have no points where the two routes come in contact, or can interchange traffic. A line of rails a mile from the Lake shore forms no impediment to the produce of the interior, which seeks a cheap mode of transport, reaching the Lake; but it effectually prevents the Railroad from supplying the shipping, or from receiving from it such traffic, as the greater rapidity of the rail may induce to prefer that mode of conveyance. Even at Montreal, the principal centre of Canadian trade, where the Ocean shipping comes in immediate contact with two lines of inland navigation, the Railroad has placed itself in a position where it cannot communicate with any of the three. It sought to avoid the water in the hopes of keeping every thing to itself, and the consequence is, that, according to the evidence of Mr. Heward, (Ques. 141,) wheat in a car at Point St. Charles is worth 5 cents a bushel less, than the same wheat would have been on board a propeller in the Lachine canal, a quarter a mile off; and as Mr. Heward says, that the elevator can unload from the barges per hour, what it would take two days and a half to unload from the cars, we arrive at this startling fact—that, in consequence of the deficient accommodation and remote situation of the principal station on the road, wheat intended to be shipped at Montreal is as far advanced, both as far as time and cost are concerned, when lying at Toronto, as it is when it has arrived at Point St. Charles—under these circumstances it is a matter of small surprise, that the railroad is not able to compete successfully with the water.

It is not only the water, and the facilities for trade that it affords, which the Grand Trunk has avoided; it seems systematically to have placed itself beyond the reach of the business of almost every town which it passes. On the whole length of the line from Sarnia to Montreal, it is only at Guelph and Toronto, that the station is in proximity to the town. Even at such an important point as Detroit, the Junction is at temporary sheds, three miles west of the city, and we are informed by Mr. Hopper, one of the conductors, that from the inconvenience of the connection, passengers from the west are with difficulty made to understand that they should not go on Detroit, to which place they are booked. Whatever may have been the cause of this—whether the desire of the contractors to obtain the station ground at less cost, or an expectation of drawing the town around the station—it has exercised a most injurious effect upon the business of the road. Mr. Shanly in his evidence, (Ques. 38), speaks of the necessity for erecting sheds at several stations, as from want of storage room, the country produce is taken *across* the track to adjoining ports. This is a necessary consequence of the location of the stations, and entails the expense upon the Company of providing storage, which, had they been in communication with the towns along the route, would have been to a great extent supplied by individual enterprise, or was already in existence, if it had been made accessible from the road. It is at Montreal that this evil is the most conspicuous, where it has been carefully estimated, that no less a sum than $100,000 has been expended during the past season in cartage alone, between the station and the City; but to a minor extent it characterizes the whole road. If the Grand Trunk is ever to realize the expectations of its promoters, it is an evil which must be remedied at a heavy cost.

This attempt to isolate itself from channels of trade already existing, especially from the navigation, appears to us to be the radical defect in the policy of the Grand Trunk. In the interests of Canada and in its own interests, which are inseparable from those of the Province, it should have laid itself out to run in connection with the water and not in opposition to it. It should have supplied the water with what the water could carry cheapest, and have been ready to receive from the navigation what the rail could carry most expeditiously. From Sarnia to Toronto, much traffic from the west, especially in preserved meats, where speed is an object, would have sought the rail—perhaps to go through, perhaps to take the water or some other channel, as cheapest, or as leading more directly to its destination. If it will pay the Northern Railroad to take freight from Lake Huron to Toronto by Collingwood, it would pay to take it *viâ* Sarnia; but the present discriminative rates are such as to act almost as a prohibition. The rate on a barrel of flour from Sarnia to Toronto, 169 miles, is 35 cents, or rather more than 2 cents per ton per mile, whilst the Company would take it through from Detroit to Portland, 854 miles, or even to Boston, for 70 cents, or at considerably less than 1 cent per ton per mile.

From Toronto downwards the navigation would have the preference during the summer for most of the freight; but if there were easy communication with the Steamers, the passengers would give the preference to the rail both ways between Toronto and Kingston, as well as upwards from Montreal to Kingston. From Montreal eastward, the rail would carry away what had been brought down before the close of the navigation, or what was intended for the Atlantic States, and would bring what was to be shipped by the spring fleet. But here again the discriminative rates act as an impediment. From Sarnia to Toronto the rate for flour, November 28, was 35 cents per barrel, and to Montreal 75 cents; from Toronto to Montreal 50 cents, and from Montreal to Boston 60 cents; whilst from Sarnia and Toronto through to Boston the rates were respectively 115 cents and 90 cents, and from Detroit to Boston 70 cents. The merchant at Toronto or Montreal is thus precluded by the difference in the rates from making either of these points an entrepôt, and selecting the time and route for sending his produce on to its ultimate destination.

The evidence of the Honorable Mr. Young, (Ques. 113,) shews how large a proportion of the western produce is destined for the consumption of the Atlantic States, and how small a percentage finds its way down the St. Lawrence. The latter fact is in a great measure explained by the former. The St. Lawrence already affords great facilities for transport to Europe, and they are being yearly increased, but for communication with the Eastern States it has no advantages. Assuming Mr. Young's figures, that five eights or $62\frac{1}{2}$ per cent. is for consumption in the Atlantic States, of which the St. Lawrence can hope at present to carry little, it does not appear so small a proportion, that the St. Lawrence should take 7 of the remaining $37\frac{1}{2}$ per cent., being nearly one fifth of what is destined for exportation. If it is ever to be expected that any considerable share of the stream can be diverted through Canada, it must be by improving the communication with the non-producing States. As a means of access to the Ocean, the St. Lawrence affords facilities equal if not superior to any of the other routes; but with the exception of the Grand Trunk Railway, there is no direct connection between Canada and the New England States. Herein lay the strong ground of the Grand Trunk, if it had taken the full advantage of it. Mr. Young dwells upon the merits of the proposed

Caughnawaga Canal, and whilst we agree with him, that every thing, which would tend to make Montreal a great emporium, would ensure the prosperity of the Grand Trunk, we believe that the St. Lawrence as it is gives the Company advantages, which it has never hitherto turned to account. The trade of the *Eastern States* being the great desideratum, the Grand Trunk can never compete for it by rail alone. It is only by putting itself in communication with the navigation, that it can hope to carry the heavy produce of the west as cheap as its rivals.

This appears to us to be the key to the true policy of the Grand Trunk to supply the water where the water can carry cheapest, and to receive from it what the rail can carry best—to look upon the interests of the great natural channel as identical with, and not as antagonistic to its own, and to help to build up a carrying trade through Canada, of which the road will get its full share. It is thus and thus alone that it can hope to compete with the other avenues for the western trade—not by striving to carry it the whole way at a loss, but by taking advantage of the natural cheapness of part of the route, and carrying it the rest of the way at a profit.

Hitherto we have considered the rates on the Grand Trunk with a view of shewing, that a great part of the business is carried at no remunerative price, if not at a positive loss. But the inequality of the local rates has been a source of very great dissatisfaction in the Province, and an impression prevails, that they have been designed to force the trade into particular channels. We do not think that, within the Province, there is any sufficient ground for this complaint, excepting in so far as they render it impossible to run in connection with the navigation. We are no advocates for a *pro rata* tariff, which must either make the rates for long distances excessive, or those for short ones ruinously low; besides which, the competition, which exists in particular localities, must necessarily affect the rates at which it may be worth while for the Company to carry freight. Nevertheless, there is an amount of inequality in the local rates, which it is difficult to account for. It being admitted that the fixed charges for loading, unloading, &c., have to be covered by the rate, whether the distance be long or short, and that these are included in the rate for the first 100 miles, there does not seem any sufficient reason why the additional sum for carrying a second 100 miles should not represent the amount for which the mere carrying can be done, and that there should be a similar addition for third 100 miles. This is, however, by no means the principle adopted on the Grand Trunk. To shew the extreme inequality, we give a table of the rates per 100 lbs., from Montreal westward, on 1st, 2nd and 3rd class goods, from the tariff published November 12, and on flour from the grain tariff of November 28.

	1st.	2nd.	3rd.	Flour.
Rate for 1st 100 miles, west of Montreal,	24	19	15	13½
Additional rate for 2nd 100 miles........	11	11	10	6½
Do. 3rd do.	13	8	5	4
Do. 4th do.	16	13	11	10
Do. 5th do.	16	14	14	3½

The reason why the rates on bulky articles are so much reduced in the third 100, is evident, as that is the part where the rail comes most into competition with the water; but it is difficult to understand upon what principle the additional rates upon every thing but flour increase as you go westward.

Another question of considerable interest arises, viz: whether the local rates are not in some cases too high, and whether a larger revenue would not be raised by reducing them. If on the one hand the station expenses of local business are high, on the other the low rate of speed at which the accommodation trains run reduces the cost of them. It would be imposible to lay down any general rule. On a road of such extent as the Grand Trunk, where the settlements are of various ages, and where there is so much difference in the habits of the people, a policy, which would be profitable in one section, might result in a loss in another. Still this question of developing the purely local business of the line is well worthy of the consideration of the managers, and has not hitherto been sufficiently attended to. The Rivière du Loup line is a notable example of what may be done in this way. By lowering the fares, and studying the convenience of the population, Messrs. Abbott and Freer (Qu. 242) succeeded in raising the receipts of this section, which has absolutely nothing but local business to depend on, to a respectable figure—very far in excess of the Detroit line, with all its through traffic. We entertain no doubt that a similar policy would materially increase the receipts between Quebec and Richmond, and probably on many other sections. (Qu. 243,250.)

During the late discussions which have arisen out of the financial difficulties of the Grand Trunk, there has been nothing that has been so frequently urged and dwelt upon, as the necessity for working the road on "commercial principles." We are not aware of any thing in the history or management of the Company which has prevented this most desirable result. The projectors of the road in its present form, men thoroughly conversant with railways, came out to this country to carry out the scheme, which had already been determined upon, of a main line throughout the Province, destined ultimately to be continued on to New Brunswick and Nova Scotia. They were aware that some parts of the line would have a larger traffic then others, but they accepted it as a whole, nay eagerly sought after it That the road, which the whole Province contributed to aid, should run through the whole Province, was part of the original bargain—the condition upon which the several Companies, now united, were incorporated—and this is the only legislative interference which there has been from the commencement of the undertaking until now, except when the Company on its own application has been released from the responsibilities which it undertook. Such conditions every Company, which seeks for exclusive privileges, must submit to in all countries; the principal difference in this respect between Railroads in England and on this continent being, that there it is influential proprietors whose support must be conciliated, or their prejudices disarmed, whilst here it is influential sections of country, whose interests must be studied. For the original scheme of a main trunk line from one end of Canada to the other, the Province is responsible, but in the carrying out of the plan in detail there was no external interference. If the contractors, either with a view to their own profit, or from a mistaken policy, avoided the navigation and every town in Canada except T. ronto and Guelph, it was not through any pressure of the Legislature, or of any Canadian interest. But if there has been no interference by the Province in the location of the road, still less has there been any in the management. Practically the road has been managed in London by men of the highest standing in the commercial world, and all the managing directors and heads of departments, with the solitary exception of Mr. Shanly, who found the Company organized and its policy established, have been selected and sent out by them. (Qu. 227–9) If the building and business of the road have not been conducted on " commercial principles" it has certainly not been from any interference of the Legislature or of the government. That the whole policy of the Company up to the present time been a mistaken one, we have already expressed our opinion, and we feel convinced that until it is abandoned, there will be little hope of commercial success for the enterprise ; but we feel bound to say that that policy has not originated in Canada.

The preference given to through over local traffic, both in the rates charged and in the accomodation afforded, and the isolation of the road from the natural channels and centres of trade have been fatal defects, but the minor traffic arrangements have been scarcely less disastrous. There can be but one opinion as to the impolicy of the agreement with the Great Western, even if it be not in direct contravention of the Railway Clauses Consolidation Act, which prohibits the granting of exclusive privileges to any persons or class of persons. The agreement gives the Great Western a share of the traffic in which they do not compete, and does not give the Grand Trunk a share of the traffic going to Suspension Bridge in which they do compete. The return of traffic subject to division (App. XIII) shews that up to December 31, the Grand Trunk had received for freight and passengers $250,306.01 and the Great Western $208,760.23; yet, though earning the larger amount, the Grand Trunk, after deducting 35 per cent. for working expenses, was to give the Great Western 3-5 of the balance, and after the same deduction the Great Western was only to give the Grand Trunk 2-5 of its earnings. The amount payable to the Great Western on the balance was therefore $43,346.18; but this by no means represents the whole loss. The working expenses of the Grand Trunk have been shown to be 85 and not 35 per cent., so that the net profit upon this part of the Grand Trunk's trade, about one fourteenth of the whole, was only $37,545.90, and they not only agreed to pay all that to the Great Western, but also $5800 more out of their scanty earnings on the rest of their route. But it is not only in what they had earned, and have thus given away, that the impolicy of the contract consists; we must also take into consideration, what is not so easily estimated, the trade from which they debarred themselves by excluding themselves from interchanging traffic with the Buffalo and Lake Huron road, and through it from a connection with Buffalo. Upon this subject we would refer to the evidence of Mr. Pennington, the Goods' Manager of the Company (Question 175), and we might easily have multiplied such opinions, had not the universal conviction of every persons acquainted with the subject, and the general impression that the contract is not binding, rendered it unnecessary further to encumber the evidence.

The contract with the Lake Ontario line of Steamers has been almost as great a loss. For the first time in the history of the Grand Trunk it has placed itself on friendly terms with the lake craft, though Mr. Shanly appears still so far carried away by old traditions, as to be half reconciled to the loss which he shares, by the consideration that the season's business proves, that steamers can not make head against the railway. The principle of friendly interchange was a sound one, but the method of carrying it out was unfortunate; it might have been obtained without a partnership, and the experience of all railroads, we believe, which have run steamers in connection with their road, has proved, that it is unwise to depart from their own peculiar line of business. The loss in the season's work has been $70,709.62 (App. XII p. 75,) of which the Grand Trunk has to bear half, even if there be not further calls upon it (Ques. 111, 112). Mr. Shanly in his Report (App. XIV, p. 84,) argues that this loss is more than compensated by the increase of receipts from passengers; but in this conclusion we cannot agree. The increase of receipts in 1860 over 1859, from passengers on the Central Division was as $565,743 to $507,466, or about 11½ per cent.; whilst the increase on the whole line which was open in both years was 12¾ per cent., and if the loss by the steamers be deducted, the increase will only be 4½ per cent. on the Central Division, against 18½ per cent. in the Eastern and 9½ per cent. on the Atlantic Divisions.

The lease of the Detroit line appears to us the most improvident agreement, which the Grand Trunk has hitherto made with other Companies. We omit here all consideration of the question of through traffic, and of the sacrifices which must be made to obtain it. We have already stated our opinion upon that point at considerable length; but admitting that it was necessary for the interests of the road to have a connection under its own control with such an important point as Detroit, the price which has been paid for it appears to us out of all proportion to its actual value. The road is something less than 60 miles long, over a country where the construction is easier than over any part of this line, except perhaps the first 40 miles from Montreal eastward. It was handed over to the Company little more than a year ago, *without rolling stock*, at a capital value equal to £7500 stg. per mile, and the Company has since spent upon it, exclusive of rolling stock, $39,546.03. It is therefore, although the easiest of construction, the dearest portion of the whole line. But great as the capital price of the road is, the Grand Trunk has to pay for it in the shape of a rent at 8 per cent. on that capital. We speak on this subject with some hesitation, as we do not in fact know what the present bargain is. At first it appears to have been that the Grand Trunk should work it, and pay the Detroit Company one half of the gross earnings—a certain loss, as the working expenses have always exceeded 50 per cent. This arrangement however was soon superseded by another, by which the Grand Trunk was to stock and work it, and pay 8 per cent on the share and debenture capital stated at £450,000 sterling. This agreement we give in the Appendix (II, p. 9), as furnished to us in December by the Company, but we are informed that there is a subsequent agreement which we have not been able to procure, and that negotiations are still pending. The whole question indeed appears to lie in the hands of the London Board, and of Mr. Blackwell, the

President of one road, and Vice-President of the other. The Direction of these two Companies is practically the same, it is the Shareholders only that are different.

The total loss by the Detroit road during the year 1860, we have before alluded to. It is $259,326 or 8 per cent upon the gross earnings of the rest of the line, which only shews a net profit of 16 per cent, out of which to bear its own charges for rents and interest on capital. Mr. Shanly's special report upon the line, which will be found with Appendix (p. 104 et seq), is well worth perusal. It shows conclusively that the line never can pay expenses, and candidly admits that it can only be made to appear to do so by merging its receipts and expenditure in those of the rest of the road. We would especially call attention to his allusion to the French settlers along the line, whose sedentary habits, he says, render the local traffic of this section as unproductive, as that to Rivière du Loup; but we would at the same time point out that the receipts on the latter section (Appendix VIII, p. 44), were raised by Messrs. Abbott & Freer on the average of 11 months, although only partially opened during half the time, and having necessarily no through traffic, to $33 per mile per week, and after it was all opened to $43; whilst their compatriots in the West, including the much coveted through traffic of the Western States, only yielded for the year ending December 31, $28 per mile, per week. The contrast between the two extreme sections of the road is instructive—the one is complained of as forced upon the company, and opposed to all "commercial principles;" the other is sought after as essential to their commercial policy, and is called by Mr. Shanly "a necessity which they could not possibly have avoided."

The bargain with the St. Lawrence Dock Company is another instance of the unsuccessful diplomacy of the Managers of the Grand Trunk. Here again there were no Canadian interests involved, as the chief promoters of that undertaking are British Capitalists, who have already a deep stake in the Grand Trunk, and an influential voice in its management. It is not easy to see what the object was in subsidizing another Company to erect a wharf, when the Grand Trunk had ground of its own. But whatever the anticipated advantage may have been, it has not been realized. The Grand Trunk has paid $123,000 to the Dock Company, but it has not acquired the wharf for which this was the consideration (Qu. 7).

The contracts with the Toronto Rolling Mill and Mr. Pomeroy's oil manufactory have been brought prominently forward, especially by the Auditors, as instances of mismanagement. With respect to the latter, from the evidence of Mr. Workman (Qu. 122,—24), and of Mr. Thorburn (Qu. 177,—9), we are disposed to believe that there has been much laxity in the manner of purchasing the oil, and that the cost has been higher than a similar article could have been procured for elsewhere.

With respect to the contract with the Toronto Rolling Mills, we do not agree with the accusation brought against the Company, that the agreement has been an imprudent one, and has entailed an unnecessary expense for this most important article of consumption. The Auditors base their opinion upon the assumption that the owners of the Rolling Mills may by the contract supply new rails at their option, instead of rerolled rails, and that, deducting the value of the old rails, new rails may be purchased at a much less price than that paid for rerolling. (*Vide* App. p. 112 and Ques. 127.) As far as the proprietors of the Rolling Mills are concerned, the whole argument rests upon a misreading of the contract. (App. XX, p. 133.) It only provides for the re-manufacturing according to a process specified, and for delivering rerolled rails equal in weight to the old rails furnished. Should the price of iron be such as to induce the Railway Company to purchase new, instead of rerolling old rails, there appears to be nothing in the contract to prevent it, but no such option rests with the Rolling Mills Company. The saving which might be effected by using new instead of rerolled rails is variously stated by Mr. Workman, in his report, at from \$5 to \$9 per ton, and in his evidence at about \$18. Without attempting to verify the correctness of the prices of new and old iron as quoted by him, we may remark, that Thomas Brassey and Co., who have the contract for relaying the Northern Railway, get their rails rerolled at the Toronto Mills on the same terms as the Grand Trunk, which would hardly be done by contractors of such experience, were the price a ruinous one. We have enquired as to the prices at which rerolling is done elsewhere. At Boston and Troy the rate is \$25, at Cleveland \$24 per ton; but at these establishments the rails are not subjected to the process of hammering, which materially improves the quality of the iron. The fact is that the iron originally laid down over a large portion of the Grand Trunk is of a very inferior quality, and in order to turn out a good rail it must, before rolling, not only be subjected to repeated hammering, entailing both cost and waste, but the Rolling Mill Co., faces each rail with sufficient new iron of a superior quality to make up the weight delivered to them, (Ques 91, 94.) We do not say that the original inferiority of the iron can be altogether remedied by this process, but there is no doubt that it is most materially improved, and that if subjected to mere re-rolling it would expose the Company to loss, which a trifling saving in the re-manufacturing would by no means compensate. There are few causes of accident on a railroad which are more to be dreaded than the breakage of rails, which, almost invariably throws off some of the cars, causing much detention and damage to property, besides the risk of life. During the two last winters, on the Central Division alone, there have been about 800 rails broken each winter (Qu. 197-8), and between the 1st of January and the 4th of April 80 cars have been thrown off and damaged, and 20 trains interrupted. (Qu.) This we presume to refer to the more important accidents only, as Mr. Shanly, in answer to Question 107, says " The destruction of property and the interruption of trains, owing to the breakage of rails, are very great and of frequent occurrence. In fact I may say that no day passes now (in March) without some cars being disabled or some train stopped from this cause; and that no accident has occurred to passenger trains, or that no life has been lost in any of the many accidents happening to freight trains, may be looked upon as purely providential. Besides the large additions to working expenses by the destruction of the Company's engines and cars owing to the dangerous condition of the rails, large sums will have to be paid for damages to freight incurred from like cause. On the central division alone, considerably upwards of two miles of rails have broken like glass this winter." Mr. Cooke states that some of the rails have broken in 12 pieces. We have seen it stated in the late discussions upon the Grand Trunk, that the severity of the climate renders the duration of the rails very short---even 5 or 6 years have been named. The severe frosts, and still more the rapid alternations of temperature as spring approaches, are undoubtedly very trying to the rails, but if the iron be of a good quality, there need be no such wholesale destruction as has taken place on some parts of the Grand Trunk. The Montreal and Champlain Railroad was laid in 1852 with English rails of 56lb, (Qu. 132). It is thus older than the Grand Trunk, and though it has not as heavy a traffic, the engines, which generally do the damage, weigh as much ; yet during the past winter only five rails have broken in 44 miles, whilst upwards of 300 have broken on the Grand Trunk between Montreal and Cornwall, 68 miles. This state of the track is one of the most serious features in the present condition of the Company, and a few dollars additional in the price of re-rolling is as nothing to the importance of obtaining a good article. We believe that the rails as re-manufactured at Toronto merit that designation. The quality of the rerolled rail, according to the evidence of Messrs. Cooke and Stark, Engineers on the Central and Eastern Divisions, (Ques. 201, 202, 215) is not only superior to the old rail, but to the later importations from England. This is proved, not only by the recorded opinion of those gentlemen, but by the fact that, on 32 miles of rerolled rails in those two divisions, only one rail has broken during the past winter. That this is not solely owing to the rails being new, is shewn by the breakage in the same time of 13 new English rails of the same pattern and of the same age, on about 22 miles laid with them

A general lavishness of expenditure is one of the faults, which are charged against the management of the Company, a charge not altogether devoid of foundation. We believe that in all undertakings which involve a large expenditure, this is an error which is apt to prevail. The constant dealing with large sums begets a tendency in all parties concerned to undervalue small economies, and to imagine that a few dollars in this or that item will not be felt, amongst the millions involved in the Company's transactions. The very nature of the subject renders it impossible for us to deal with it otherwise than in general terms ; but it is an important point for the consideration of the officers of the Company, for a multitude of small leaks may as effectually sink the ship, as a large one which more readily attracts attention. We will however point out a few of the minor instances of lavishness, or defective management, which have struck us during our investigation, or which have been prominently brought before the public.

The hotel at Sarnia, appears to us a notable example of extravagance. At this remote point a large station has been erected, a part of which has been expensively furnished, and is called in the accounts an hotel, but it is not intended, except the refreshment rooms, for the accomodation of the travelling public, but for the superior officers of the Company who may occasionally be called there. (Ques. 184, 185). The cost of this establishment in the year 1860 was

For wages	$1,262 37
" Furniture, &c..................	5,247 66
" Wines, &c......................	5,693 34
Total..........	$12,203 37

Against which the receipts were only $2,613 73.

The system of running special trains for the convenience of the officers of the Company appears to us to be carried to an excess. The mileage of special trains is given by Mr. Shanly (Qu. 43, 45) but it is not clearly distinguished how much is of the nature in question.

The number of free passes has been prominently brought forward by Mr. Chapman, but we do not think that in this respect the Company is open to censure. According to the invariable practice of railroads on this continent, the higher officers of other roads are furnished with season passes, and other officials, upon application from their principals, with trip passes. But excluding these and the Company's own servants, the number of persons who travel free is reduced within very small limits. The average number of trip passes according to the returns made to us is 19 per month, and many of these are persons closely connected with the road. Of the season passes, the officers of the Post Office and Customs Departments, both in Canada and the United States have 46 (the cars being treated as bonded warehouses); other Government officials, including Railway Inspectors, have 10. The names of the remaining 23 are given in the evidence, (Qu. 14) all of whom, with four exceptions, are intimately connected with the Company.

The method of purchasing and accounting for the stores is a most important consideration, as no less a sum than $992,000 was expended through that Department during the past year. Upon this subject we would refer to the evidence of Mr. Thorburn, the present head of that department, (Qu. 58, 76), and to that of Mr. Workman, the Company's Auditor, (Qu. 119, 121). It is very clear that most inexcusable laxity must have prevailed in this department in the earlier years of the railroad, but there has been a great improvement latterly. The whole subject, however, of the purchase and issue of stores will require the careful consideration of the managers.

Mr. Workman (Qu. 126) has stated his opinion generally that the staff might be reduced, and a somewhat similar impression has been left upon our own minds, but it would require us to be much more conversant with the details of the work than we can pretend to be to entitle us to offer any positive opinion. We would only allude to two points in connection with this subject, viz.: the loss of time of the employés at Pointe St. Charles, mentioned by Mr. Young in his evidence (Qu. 118); and the serious increase of work in the Traffic Auditor's and Accountant's branches occasioned by the present method of distinguishing the different sections of the road in the returns. The laws of the States, through which they pass, require that the returns of the Atlantic and Detroit sections should be kept distinct, and it may be interesting to have a record of the business on other divisions; but the results, as we have before stated, are very imperfect, and the attempt to keep them separate entails immense labour. Every passenger and every ton of goods, which goes over parts of two divisions, has to be divided *pro rata* to the mileage passed over, and similarly with the expenses. We believe that much important statistical information could be obtained with far less complicated arrangements. The freight and passengers inwards and outwards at each station are given, and whether the movement was eastward or westward might easily be added. The receipts from the business at each station could be similarly given. This would shew the proportion of earnings *by* any section of the road, whilst the present method only shews the earnings *on* the section. We believe that the former is the more important information, and could be obtained with far less labour. Again the movement to and from important centres, with the leading stations at least, would be very valuable information. The return which was made to us of the Boston business is a specimen of this, and it would be highly interesting to have similar returns for Portland, Montreal, Toronto, and perhaps some other points, where other channels intersect with the Grand Trunk. None of these require the divisions of the road to be kept distinct, and we believe the information given respecting the several divisions, particularly the distinction into through and local, to be comparatively unimportant.

In connection with the office business at Montreal we may mention another point relating to the accounts of the Company, which has struck us as very inconvenient. The main expenditure of the Company goes through an account called "Disbursement Account" which has its own separate cash. But besides this, most of the chief officers have a disbursement account. There is Secretary's Drawing Account No. 1, and Secretary's Drawing Account No. 2, and Managing Director's Drawing Account, and T. E. Blackwell's account, and many others. All sorts of miscellaneous expenditure pass through some of these accounts. In Mr. Blackwell's account may be found, with his own travelling expenses, furniture for offices, bonus to Pomeroy $7,000, ($2,000 of which was in excess of the contract, and has, we understand, been since re-paid), (Qu. 238), together with payments for the telegraph on the Detroit line before it came into the Company's hands, and on account of a wood contract at Cobourg. Great confusion arises from this system, and we could point to several consecutive folios of the Journal, occupied with nothing but correcting errors of entries, made by crediting expenditure to one of these drawing accounts when it should have been credited to another. As these minor accounts are only rendered periodically, sometimes at very long intervals, great liability to error ensues. One of the Secretary's Drawing Accounts has had $24,000 at its debit unaltered for three years, but we are informed that it is soon to be closed, (Qu. 186).

To return to the question of the cost of the staff—Although some saving may probably be made in this respect, we do not think that it is in the number or cost of the employés, or in the excess of expenditure generally, that the embarrassments of the Company have originated, but rather in the deficiency of revenue arising from their mistaken policy and the imperfection of their accommodation and organization. We have compared the expenditure with that of the New York Central, and we do not find that, taking all things into consideration, it is in excess of that road, but rather the contrary. The annual expenditure of the Grand Trunk on salaries and wages, according to the statements given in App. XXII, (p. 137), would be $1,300,185; on the New York Central for the year ending September 30, it appears to have been $1,947,863. If we compare the two roads in the points which principally affect the labour employed, we find that they had almost exactly the same number of engines and cars; the length of road to maintain, even including the double track on the New York central, is greater on the Grand Trunk; and the porportion of tonnage moved to wages paid is almost the same on both. If we compare the wages with the whole expenditure, on the New York Central it was 45 per cent, on the Grand Trunk 46 per cent. We conclude therefore, taking the New York Central as a guide, that no great saving can be affected in the number or cost of employés on the Grand Trunk. It may be interesting to compare these two roads in other respects, both as to their receipts and their expenditure. The latter is not given under the same heads, but as we have the details of the several items, we can make a very close comparison, and we have prepared the following table, which points out some instructive results.

EXPENSES.

	N. Y. Central.	Grand Trunk.
Maintenance of track and buildings........	$1399301 98	$ 790134 68
Repairs of rolling stock....................	803904 69	611192 66
Running and Working expenses...........	1685168 72	1151454 21
General expenses..........................	390465 52	253801 62
Total expenses......	$4278840 91	$2806583 17

RECEIPTS.

	N. Y. Central.	Grand Trunk.
From Passengers..............................	$2569265 13	$1219758 89
From Freight..................................	4095933 53	1949227 92
Miscellaneous	292042 35	180671 37
Total Receipts........	$6957341 01	$3349658 18

PASSENGERS AND FREIGHT.

	N. Y. Central.	Grand Trunk.
Passenger..............................	2261136	739498
Freight in tons........................	1028183	686625

We have no returns from the Grand Trunk of the mileage of the passengers and freight during the year, which would be necessary in order to institute a strict comparison, but taking the number of tons moved as a test of the working expenses, the repairs of rolling stock and general expenses bear nearly the same proportion to the tonnage on both roads, the repairs of rolling stock being rather in excess on the Grand Trunk. The passengers however on the New York central are nearly three fold those on the Grand Trunk. The most remarkable difference is in the maintenance of track and buildings, where the expense is not much more than half on the Grand Trunk, although the road is so much longer. The difference in the traffic will not account for this; we can only attribute it to what we have before remarked, that so far from any of the expense of renewals being justly chargeable to capital, the full weight of the repairs of track have not yet been reached. The cost of iron alone on the New York Central was $452,201, whilst the same item including ties, was only $272,340 on the longer road.

It is in the receipts, much more than in the expenditure, that the difference in the two roads lies. In passenger traffic the Grand Trunk never can hope to equal the New York road, but in the freight, which forms the main item both of receipts and expenses, the contrast is very striking. The average receipt on each ton of freight carried by the New York Central was $3.98 or 0.737 cents per mile of road, whilst on the Grand Trunk it was $2.84 or 0.292 cents. We are aware that such a comparison must necessarily be a very loose one, as it does not take into account the distances over which the freight was carried in each case, but as the New York local freight is about $\frac{3}{5}$ of the whole, we believe that on the average the bulk of the freight was carried as long distances on the Grand Trunk as on the Central. The comparison strengthens the conclusion to which we had arrived before—that it is not so much any excess of expenditure, or any deficiency of remunerative traffic offering, as the low rates at which the through freight is carried, which causes the gross receipts to bear such an unfavorable proportion to the expenses of the road.

In connection with this subject we must call attention to the fact which has been brought under our notice by the evidence of Mr. Young (Qu. 117) and Mr. Esdaile (Ques. 138), that from the want of proper facilities for weighing at the several stations, fully 10 per cent of the grain in bulk is carried free on the Grand Trunk. We believe that, with the exception of Sarnia, there is no Station on the road where any provision is made for weighing wheat, and a car load is therefore estimated at 350 bushels, whilst it frequently holds 400, or even 415 bushels. As a large portion of the down freight to Montreal has been grain in bulk, the loss to the Company on this article alone, must, during the past season, have amounted to a very considerable sum.

There is one other point affecting the receipts of the road, which has been frequently dwelt upon, viz.: the amount paid by Goverment for mail service; and it has been urged that the Company is in this respect very much underpaid, and that an increased postal subsidy, or a present advance based upon it, may be made a means of meeting, to some extent, its immediate financial difficulties. We do not propose to offer an opinion as to the sum which the Province may be fairly called upon to pay for the postal conveniences afforded; but we submit some facts connected with the subject, which may aid the Government in coming to a decision.

When the road was first opened, the Government applied to the Company to state the rates at which they were prepared to carry the mails, and the following resolution was passed by the Directors, August 17, 1853:

"*Resolved*—That the Postmaster General be informed that the Company is willing to convey the mails by all the ordinary trains running on the Railway, at the rate of £27 10s. ($110) per mile per annum, including in this charge the conveyance of a Conductor sent in charge of the mails." (Quest. 15.)

No definite bargain, however, seems to have been made, and from that time until September, 1858, the question remained in abeyance, the Government paying not only the Grand Trunk, but all the other roads, what they thought reasonable, and the Railway accepting the money as payment on account. In September, 1858, however, an Order in Council was passed, the substance of which is, that the Railroad Companies should be paid, not a certain sum per mile over the whole road, whatever trains were run with mails, but $30 per mile for all day trains carrying a mail, and $40 for night trains. In the early part of the present year, the subject again came before Government, and the Grand Trunk and Great Western (the only dissenting roads), were paid at the rate of their original offer, (viz: Grand Trunk, $110, and Great Western, $100,) until the date of the Order in Council of 1858, but since that date the payments are made upon the scale therein laid down. Besides these rates, which include ordinary trains only, the Company charges for special trains, when they are required to suit the hours of the Ocean Steamers, at a rate varying according to circumstances, from 30 cents to $2 per mile run. These charges have never been disputed by the Post Office. The United States Government pays the Grand Trunk on the Atlantic District, $100, and on the Detroit, $43 per mile.

These are the main facts with regard to the Grand Trunk, but we have made enquiry as to the practice in this respect in the neighbouring Union, and we find it very various. We have before instituted comparisons with the New York Central on other points, and we submit a statement of their arrangements for carrying the mails. The New York Central, as at present constituted, consists of several different roads, which were amalgamated in 1853, most of which had special contracts before the amalgamation with the United States Government, under which the mails still continue to be carried. The rates vary very much. On the direct line between Buffalo and Albany, $200 per mile per annum; Syracuse and Rochester (old road), $100; Troy and Shenectady, $75; Niagara Falls and Rochester, $150; Buffalo and Lewiston, $50. The average rate of the whole amount received in the year ending September, 1860, was $172.24 per mile. The contracts require the Company to run one train both ways on all week days, with the Post Office cars attached, stopping at all stations, and also to carry mail bags, if required, upon all express passenger trains.

The principal difference between the facilities afforded by the New York Central and the Grand Trunk are, that their contract obliges them to deliver the mails at the Post Offices at the terminal stations and at all way offices not more than a qnarter of a mile from the railway, whilst in Canada the Post Office receives the Mails on the platform, and that on the former there are a greater number of trains carrying mails; but it must be observed that the Company is in no way bound to run more than the single mail train with Post Office car attached, but only to carry bags on such other trains as may suit their own convenience. Their Post Office cars also, are altogether devoted to the Post Office, whilst in ours only one-third is so partitioned off, the remainder being occupied by the express and baggage.

We have also obtained from Mr. Griffin, the Deputy Postmaster General, a comparative statement of several American roads, shewing the accommodation afforded, the number of trains run with mails, the amount of sudsidy per mile of road and the whole amount divided as with us per mile run.

ROAD.	Accomoda-tion.	No. of Trains	Subsidy per mile of Road.	Subsidy per mile run.
New York and Albany......	Whole Car..	3 daily and 1 extra per week.......	$ 225 00	$ 25 00
New York and Dunkirk (Erie).	Do. ..	Do. ...	200 00	22 33
Albany and Buffalo	Do. ..	4 daily and 1 weekly............	200 00	16 66
Ogdensburg and Rouse's Pt ..	⅓ Car.......	2 daily.............	81 51	40 75
Rome and Cape Vincent......	Do. ..	Do. ...	85 86	42 93
New York and Philadelphia...	Whole Car..	3 daily and 1 weekly.............	375 00	41 66
Detroit and Chicago..........	Do. ..	2 daily..........	150 00	25 00

Mr. Griffin also informs us that the maximum rate in England is equal to $265 per mile, but the service is very different; for the trains receiving this remuneration are devoted exclusively to the mails, carrying no passengers, and they run at an extra speed.

FUTURE PROSPECTS OF THE GRAND TRUNK RAILWAY.

We have already stated very fully our opinion as to the true policy, which should govern the traffic arrangements of the Company, and we believe that there is no reason why an *amount* of business should not be secured, which, at remunerative rates, would yield a fair Revenue as compared with other roads on this continent. But to put the road into a position to enable it to be worked successfully, it is certain that a considerable expenditure of Capital will be absolutely necessary. We feel how discouraging such an opinion must appear—that at the moment when the Company has been unable to meet the interest upon its existing capital, a call should be made for further expenditure; but it is our duty to state the conviction to which we have deliberately arrived. At present the road yields nothing, or next to nothing, and if it is to be in a position to make any return upon the capital expended, it can only be by remedying the existing defects, which requires a further outlay.

(1.) The condition of the track is a serious consideration. The unnecessarily heavy curves and grades, on a part of the Central Division, are an evil which, at present at least, we cannot hope to see remedied. But the state of the rails themselves, on that and the Eastern Division, requires prompt attention. Mr. Trembicki, in his answer to Question 78, says that he anticipates no further expenditure on this account, than what will be chargeable to ordinary maintenance of way. If his meaning is, that the renewal of rails should be properly charged under this head, we agree with him; but if he intends it to be understood, that the renewals for the next few years will bear any comparison with the amounts hitherto charged to maintenance of way, his own evidence and that of other engineers leads us to a very different conclusion. In the present position of the Company, it is immaterial under what head it is charged, but we feel bound to express our opinion that the safety of the public, and the interests of the Road itself, require that provision should be made for relaying the greatest part of the Central and Eastern Divisions as rapidly as circumstances will admit of it.

(2.) Additional siding is very much wanted for the convenient handling of the rolling stock. M. Shanly (Qu. 36) estimates it at $50,000, a sum trifling in comparison with the difficulties and losses which have occurred from the want of it.

(3.) Storage room at many of the way stations is much required (Qu. 37). It is to be hoped that private enterprise will gradually remedy the inconvenience arising from the inconvenient distance of the stations from most of the towns on the route; but it is clear to us that the Company itself must assist in supplying the deficiency, and we should think Mr. Shanly's estimate of $46,000 rather under than over the amount which could profitably be expended under this head.

(4.) The greatest defect of the line is the remote and inaccessible situation of the station at Montreal. This must be remedied at any cost, and the sum named by Mr. Shanly, (Ques. 37) $200,000, is probably not in excess of the expenditure which would be necessary, if the Company itself has to undertake the work. There is some hope however that the public spirit of Montreal may relieve the Company from the necessity of providing so large an amount. We do not now speak of the scheme for a dock at Point St. Charles, which is briefly sketched by Mr. Young (Ques. 114). If it is ever carried out, and there appear to be no insurmontable difficulties, it will be a truly noble undertaking, and will not only give to Montreal commercial facilities which few cities possess, but will place the Grand Trunk in a position for communicating with the shipping, such as no other Railroad on this continent, or we believe in the world, has been able to establish. This great work however is at present only in prospect, and even if undertaken it would take some years to complete it; but the wants of the Grand Trunk are pressing and admit of no delay. We rather allude to a plan which has found some favor, of a station at or near M'Gill street being built by a private Company, who might receive a handsome return upon the capital expended by a toll on passengers and local freight, very much less than that which the public has now to pay in cartage and omnibus fare. In any case we believe it to be essential for the accommodation of the passengers and local freight of the principal distributing point in Canada, that the road should be brought into the City.

(5.) We have already alluded to the absolute absence, except at Sarnia, of any facilities for the grain trade, such an important branch of Canadian and Western Commerce. Elevators and grain stores at Toronto, Montreal and Portland appear indispensable and the cost is estimated by Mr. Shanly at $300,000. He expresses some doubt (Qu. 40) as to the policy of an elevator at Portland. If, as he suggests, a granary and elevator be erected by private enterprise, it may not be necessary for the Company to enter into the expense; but we believe such conveniences to be as essential there as even at Montreal. During the past winter a great quantity of grain has been shipped at Portland, but under great difficulties. From the evidence of Mr. Allan, (Qu. 161,) it appears that the wheat comes down to Montreal in bulk, and is there transferred to the bags of the Steamship Company. One would think that this was a very inconvenient arrangement even for the regular Steamships, but for vessels casually calling at Portland for cargoes it most operate almost as a prohibition.

(6.) These are the most important improvements mentioned by Mr. Shanly. A wharf at Quebec to cost $100,000 and alterations at Portland to the extent of $115,000 are also recommended; but we do not conceive them to be of such pressing importance. The $123,000 already paid to the St. Lawrence Dock Company ought before this to have produced some result, and ought yet to be made to do so; and as long as the private wharves at Portland are as extensive as they are represented to be by Mr. Allan (166), we think that the Company might find more immediate demands upon its capital. We would also remark, that if it is desired that private enterprise should be encouraged at Portland, it is a doubtful policy for the Grand Trunk to make no charge for wharfage there. It is hardly to be supposed that private individuals will erect or improve wharves, or put them in communication with the Railroad, if they have to compete for business with a free wharf, which it is proposed still further to extend.

(7.) The whole of these improvements are estimated by Mr. Shanly at $880,000, in addition to which he proposes an expenditure of $1,417,900 for rolling stock. We do not dispute the necessity of an increase of rolling stock, but we must here repeat what we have before said, that the first want of the Road is so to improve its station accommodation, and arrangements for loading and unloading, as to enable it to use the plant which it has with effect. Until these changes are made, any considerable increase of cars would do nearly as much harm as good. It must be remembered that there are already under contract 403 box cars (App. p. 132), the description which is most wanted, and which, if delivered, would make an increase of 25 per cent upon their present stock. It is presumed that the financial difficulties of the Company have prevented the fulfilment of the contract.

We do not by any means feel certain that all the additions which have lately been made to the rolling stock are judicious. The order for 6 pony engines for station service, appears to have been given against the opinion of the Locomotive Superintendent, such engines being useless, except for station business, upon which partially worn out engines might have been used. We are very sure that if snow ploughs, of a better construction, had been used last winter, the track might have been kept open at a much less expense, and with much fewer delays.

But supposing all these improvements to be introduced—granting that the trade had every accommodation which it could reasonably expect; that the traffic arrangements were such as to insure punctuality; and that the freight were carried at remunerative rates—still there would be one measure more necessary, before the Grand Trunk could take its place as a solvent undertaking. It is absolutely essential that the nominal capital should be reduced. The liability of the Company for interests and rents, exclusive of share capital, at the date, June 30, 1860, is given in the Appendix, (p. 50,) and was within a trifle of $3,000,000, and if additional capital were raised more fully to equip the road, the liability would exceed this sum; but the balance of revenue account, according even to the Company's own way of shewing it, was not more than $1,472,000. We have thus an *annual* charge upon revenue of double the amount of the *aggregate net earnings during the eight years* the road has been open. It is impossible that any increase of traffic, or any improvement of management, can make head against such a load of debt. It is melancholy to think of the disappointed expectations, of the heavy losses of those who have made repeated advances to sustain the road, and of the individual distress which must be the result; but it is impossible to be blind to the fact, that nothing but the sacrifice of a large part of the capital invested can justify a hope of saving any of the remainder. In the present position of the Company, no external aid can avail any thing. Even if it were possible to obtain means to effect a temporary relief, it would only the more speedily, and the more certainly, bring on the final crisis.

The complicated position of the Company with various classes of creditors must render any such arrangements very difficult, and the ordinary Courts of Law may be insufficient to deal with a concern of such magnitude, and whose property is spread over six different jurisdictions. One interest concerned, the interest of the public, can hardly be left with safety in the hands of legal tribunals alone, and the interference of the Legislature may be necessary to facilitate the reconstruction of the Company. But the success of any attempt to give the Company a fresh start must depend mainly upon the cooperation of the various classes of creditors themselves. Hasty legislation is to be deprecated, but the necessity for haste is most pressing, and it would be very unsafe to leave the Company with its present organization and its present embarrassments to struggle through the difficulties of another winter.

The success of the road depends upon its obtaining a remunerative traffic, and upon its being able to raise no inconsiderable sum of money to enable it to carry that traffic satisfactorily. Both depend upon a restoration of confidence—confidence of the public, that they may entrust their persons and their property to the Company, with a reasonable expectation that their safety will be cared for, and damage or loss compensated; and confidence of capitalists, that any funds they may advance will not be swallowed up, where so large an amount has been already engulphed. The first and the greatest consideration therefore is, by the united action of the various creditors and the Legislature, to make such a compromise amongst all parties interested, as will make solvency possible.

All which is respectfully submitted.

JOHN LANGTON,
JUSTUS LEWIS GRANT.
Commissioners.

THOS. WILY,
Secretary.

Quebec, May 8, 1861.

EVIDENCE.