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NORTH SHORE RAILWAY.

REPORT

OF THE

CHIEF ENGINEER

UPON THE

"QUEBEC RAILWAY AID ACT OF 1874."

FEBRUARY 5, 1874.
NORTH SHORE RAILWAY.

LETTER FROM THE PRESIDENT.

OFFICE OF THE NORTH SHORE RAILWAY COMPANY.

QUEBEC, 2nd February, 1874.

GENERAL S. SEYMOUR,
Engineer in Chief of the
North Shore Railway Company.

Sir,

You will please find enclosed a copy of "An Act to provide for the granting of aid to certain Railway Companies" passed at the late session of the Provincial Parliament, and assented to by His Excellency the Lieutenant-Governor, on the 28th of January last.

Inasmuch as by the terms of this act the North Shore Railway Company is required to accept its provisions on or before the 1st May next, in case it should be deemed advisable to do so, I have to request that you will furnish me with your views as to the proper action to be taken by the Board of Directors in relation thereto.

I have the honor to be,

Sir,
Your most obedient servant,

W. RHODES,
President.
AN ACT TO PROVIDE FOR THE GRADING OF AID TO CERTAIN RAILWAY COMPANIES.

HER MAJESTY, by and with the advice and consent of the Legislature of Quebec, enacts as follows:

1. The lieutenant-governor in council may, subject to the conditions and limitations contained in the colonization railway aid act of 1869, in relation to the conversion of subsidy therein mentioned, and further subject to the conditions, limitations and provisions of this act, grant provincial aid in lieu of that specified in the said colonization railway aid act of 1869, to the extent of two thousand five hundred dollars for each and every continuous and unbroken mile of railway, with no additional allowance for bridges, to each of the following companies, namely:
   - The Quebec and Lake St. John railway;
   - The Levis and Kennebec railway;
   - The South-Eastern railway, for such portion thereof as formerly belonged to the Richelieu, Drummond and Arthabaska Counties' railway.
   - The Philipsburg, Farnham and Yamaska railway;
   - The Missisquoi and Black River Valley railway;
   - The Quebec Frontier railway;
   - The Quebec and New Brunswick railway;
   - The St. Francis and Megantic International railway;
   - The Bay of Chaleurs railway;
   - The Sherbrooke, Eastern Townships and Kennebec railway;
   - The Waterloo and Magog railway; and
   - The Montreal Northern Colonization railway (branch line.)

The lieutenant-governor in council may also subject to the foregoing conditions grant unto the Montreal, Champlain and Sorel Railway Company, and unto the South
Railway Aid Act of 1874.

Eastern railway company, provincial aid to the extent of one thousand dollars per mile, for such length of road as belonged to each, before the amalgamation of such railway companies respectively, with other companies, on compliance with the law in that behalf.

2. All sums of money heretofore paid by the government of this province to any of the above mentioned railway companies, under the act referred to in the foregoing section, or under any act amending the same, shall be deemed to have been paid to such company on account of, and shall be deducted from the increased aid or subsidy to which it would otherwise have been entitled under this act.

3. Notwithstanding any provision contained in the Colonization railway aid act of 1869 the lieutenant-governor in council, if he thinks proper, may nevertheless, when it is established that any one of such companies is actively engaged in the construction of its works, grant to it for each twenty-five miles or more of road completed or one continuous half of the whole line a portion of such provincial aid, proportionate in amount to such length of road.

4. The Quebec and New Brunswick railway company shall not be entitled to any aid under this act unless it shall have, on or before the first day of January, one thousand eight hundred and seventy-five, signified in writing unto the secretary of the province, the abandonment by it of any claim to the grant of land specified in the eighth, ninth, tenth and eleventh sections of the act of this province, thirty-fourth Victoria, chapter twenty-one, and the acceptance by it of the subsidy or aid accorded by this act; in the event of the company determining to accept such aid or subsidy, and so signifying its intention, it shall be deemed to have forfeited, and shall forfeit all claim to the grant of lands mentioned in the said act.

5. The St. Francis and Megantic International railway company shall not be entitled to any aid under this act, unless it shall have, on or before the first day of January, one thousand eight hundred and seventy-five, signified in writing unto the secretary of the province, the abandonment by it of any claim to the grant of land specified in
sections two, three, and four of the act of this province, thirty-fifth Victoria, chapter twenty-three, and the acceptance by it of the subsidy, or aid accorded by this act; in the event of the company determining to accept such aid or subsidy, and signifying its intention to that effect, it shall be deemed to have forfeited, and shall forfeit all claim to the grant of lands mentioned in the said act.

6. The Bay of Chaleurs railway company shall not be entitled to any aid under this act, unless it shall have, on or before the first day of January, one thousand eight hundred and seventy-five, signified in writing unto the secretary of the province the abandonment by it of any claim to the grant of land specified in sections one and two of the act of this province, thirty-sixth Victoria, chapter forty-two, and the acceptance by it of the subsidy or aid accorded by this act; in the event of the company determining to accept such aid or subsidy and signifying its intention to that effect, it shall be deemed to have forfeited and shall forfeit all claim to the grant of lands mentioned in the said act.

7. The Quebec and Lake St. John railway company shall not be entitled to any aid under this act, unless it shall have, on or before the first day of January, one thousand eight hundred and seventy-five, signified in writing unto the secretary of the province the abandonment by it of any claim to the grant of land specified in sections five and six of the act of this province, thirty-fifth Victoria, chapter twenty-three, and the acceptance by it of the subsidy or aid accorded by this act; in the event of the company determining to accept such aid or subsidy, and signifying its intention to that effect, it shall be deemed to have forfeited and shall forfeit all claim to the grant of lands mentioned in the said act.

8. If any company mentioned in the first section of this act, with the exception of the Quebec and New Brunswick railway, the St. Francis and Megantic International railway, the Bay of Chaleurs railway, and the Quebec and Lake St. John railway, to which four companies the provisions of this section shall in no manner apply, is not upon the first day of November, one thousand eight hundred
and seventy-four, fully and in good faith, organized under the charter thereof, and has not on such day, at least ten miles of road graded and in perfect readiness for rails to be laid down thereon, such company shall not be entitled to any grant under the first section of this act, but on the contrary, in so far as relates to any such railway company, the grant mentioned therein shall be entirely unoperative and of no effect.

9. The lieutenant-governor in council may, subject to the provisions of the next following sections grant, by way of loan, to the Montreal Northern Colonization railway company for building a railway from Montreal to Aylmer, provincial bonds or debentures to the extent of seven hundred and fifty-one thousand three hundred and sixty-six dollars, which he is hereby authorized to issue in such forms, for such amounts, and subject to such provisions in respect thereof, as shall be deemed to be in the public interest.

10. The said last mentioned company shall be entitled to the said loan, upon the following conditions only:

1. The whole of the said railway shall have been completed and put into operation between Montreal and Aylmer, and also the branch of the said road from St. Thérèse de Blainville to the village of St. Jérôme, on or before the first day of May, one thousand eight hundred and seventy-six, to the entire satisfaction of the lieutenant-governor in council;

2. The said railway shall connect with the North Shore railway from Quebec to Montreal, at such point as has been determined by the lieutenant-governor in council;

3. The lieutenant-governor in council shall have the appointment of one third of the directors of the company, without counting the ex-officio director or directors representing municipalities, and no city, town or municipality shall be represented in the company by a greater number of directors than the lieutenant-governor in council;

4. The company shall, on or before the first day of August, one thousand eight hundred and seventy-four, signify in writing, unto the secretary of the province, the abandonment by it of any claim to the grant of lands specified in section five of the act of this province thirty-fourth Victo-
RAILWAY AID ACT OF 1874.

5. Till, chapter twenty-one, and section three, of the act also of this province, thirty-sixth Victoria, chapter forty-two, except the share of the said company in that portion of the said land grant described in the schedule of the said act, thirty-fourth Victoria, chapter twenty-one, as block A, and the acceptance by it, of the grant or loan accorded by this act. In the event of the company determining to accept such grant or loan, and signifying its intention to that effect, it shall be deemed to have forfeited and shall forfeit all claim to the grant of lands mentioned in the said acts, except as hereinabove mentioned;

5. The company shall, on receiving the provincial bonds or debentures or any part thereof, as hereinafter provided, give in exchange therefor debentures of the company, bearing interest at the rate of six per cent per annum, to an equal and corresponding amount;

6. Such amount of the capital stock of the said company shall have been subscribed for, over and above the amount which has already been, or which may hereafter be subscribed for by municipalities, as the lieutenant-governor in council shall deem just and reasonable, and at least ten per cent upon such additional stock, shall have been bona fide paid in to the company;

7. The main line of the said company's railway shall be a first class road, and shall have been accepted as such by the lieutenant-governor in council on the report of the provincial railway board.

11. The lieutenant-governor in council may, however, if he thinks proper, when it is established that the said company is actively engaged in the construction of the works, grant unto such company as soon as twenty-five miles of the railway shall have been completed, and for every twenty-five miles thereafter, a portion of such provincial grant or loan proportionate to such length of road.

12. After the coming into force of this act, and the acceptance by the said company of the above mentioned loan, upon the conditions hereinafter stated, the said company shall further undertake and oblige themselves not to issue their bonds or debentures, for any sum other or greater than that which may hereafter be fixed and determined by the lieutenant-governor in council.
13. The company shall, on receiving the provincial bonds or debentures, or any part thereof, give in exchange therefor, their bonds to an equal and corresponding amount, payable in thirty years, and bearing six per cent interest, and such bonds shall be held by the government as collateral security for the loan made to the said company under this act. But so soon as the said company shall be in a position to issue second-class bonds or debentures, such second-class bonds shall be handed over to the government in lieu and place of the bonds originally given to the government as aforesaid, and for a similar amount. And in either case the loan made by the government to the company in virtue of this act, both in principal and interest, shall rank after the subscription of stock now made, or hereafter to be made by municipal corporations, and the dividend or profits thereon, and before all private subscriptions of stock and dividends accruing thereon.

14. If that part of the line of the Montreal Northern Colonization railway company, which extends from Aylmer to Deep River, has been definitely located, and the company has made satisfactory proof of their readiness to proceed with the work of construction, on or before the first day of June, one thousand eight hundred and seventy-five, it shall be lawful for the lieutenant-governor in council to grant unto the said company, by way of loan, provincial bonds or debentures which he is hereby authorized to issue, in such forms, for such amounts, and subject to such provisions in respect thereof, as he shall deem expedient. But in the event of the said Montreal northern colonization railway company not proceeding with the construction of the line from Aylmer to Deep River in good faith—within the limit of time provided by this clause—then, and in that case, the lieutenant-governor in council may authorize any railway company incorporated or to be incorporated to proceed with the construction of the said line between Aylmer and Deep River, and be entitled to the grant by way of loan provincial bonds or debentures provided for in this clause. Such loan shall be made for an equal and corresponding amount per mile, and under the conditions and terms specified in this act, in relation to that portion of the said railway lying between Montreal and Aylmer.
15. The lieutenant-governor in council may, subject to the provisions of the next following sections, grant unto the north shore railway company, for building the north shore railway from Quebec to Montreal, and the road from the city of Three-Rivers to the Grandes Piles, and the establishment of a line of steamers on the St. Maurice, as mentioned in the act of the late province of Canada, intituled: "An act to incorporate the St. Maurice railway and navigation company," and by way of loan, the sum of one million two hundred and forty-eight thousand six hundred and thirty-four dollars, and by means of provincial bonds or debentures, which the lieutenant-governor in council is hereby authorized to issue in such forms, for such amounts, and subject to such provisions in respect thereof as he shall deem to be for the public advantage.

16. The company shall be entitled to such loan upon the following conditions only:

1. The said railway shall have been completed and put in operation to the entire satisfaction of the lieutenant-governor in council, and steam navigation shall have been put into operation on the St. Maurice. The lieutenant-governor however may, if he thinks proper, when it is established that the said company is actively engaged in the construction of its works, grant to it for each twenty-five miles of road completed, a portion of the said loan, proportionate in amount to such length of road; and provided moreover that he shall always retain a sufficient amount of the said loan to insure the entire completion of the road from the city of Three-Rivers to the Grandes Piles, and the establishment of a line of steamers on the St. Maurice.

2. The company shall, on or before the first day of May, one thousand eight hundred and seventy-four, signify to the secretary of the province, the acceptance by it of such loan in lieu of the grant of lands to which it otherwise have been entitled under the act of this province thirty-fourth Victoria, chapter twenty-one, intituled: "An act to provide for the granting of certain lands in aid of the railway companies therein mentioned;" except the share of the said company in that portion of the said land grant described in the schedule of the said act as block A, and in and by such signification it shall resign and renounce,
RAILWAY AID ACT OF 1874.

and shall be deemed to have resigned and renounced all claim to any such grant of lands, save and except the said share or portion in block A.

3. The company in exchange and return for all provincial bonds or debentures granted to it under the provisions of this act, shall give its own bonds or debentures for similar amounts; and all such bonds or debentures shall be redeemable within thirty years from the date thereof, and shall bear interest at the rate of six per cent per annum, and no such debenture shall be for a less sum than one hundred dollars;

4. At least ten per cent shall be paid on all stock subscribed, and not cancelled by the board of directors, but this provision shall not apply to stock subscribed by municipalities.

5. The main line of the said railway shall be a first-class road, and shall have been accepted as such by the lieutenant-governor in council, on the report of the provincial railway board.

17. After the coming into force of this act, and the acceptance by the said company of the above mentioned loan, upon the conditions hereinbefore stated, the said company may issue their bonds or debentures, for such sum as may hereafter be fixed and determined by the lieutenant-governor in council, and for no other or further sum whatsoever, any act to the contrary notwithstanding, and such sum so fixed and determined shall be raised subject to the forms and provisions of the eleventh sub-section of the ninth clause of the railway act, contained in the consolidated statutes of Canada, chapter sixty-six, which shall apply to such loan.

18. And for securing the due payment of the bonds, debentures or other securities to be issued by the said company, as well by reason of the loan authorized by the foregoing section, as for and in exchange for the provincial debentures to be granted under this act, the road, lands, and real and personal estate of the said company shall be charged and hypothecated in the order and manner following, that is to say:

1. In favor of all persons holding bonds or debentures issued by the company, under section seventeen of this act,
which bonds and debentures shall be hereafter known and styled "North Shore railway company, first preference bonds."

2. In favor of the corporation of the city of Quebec and all other subscribing municipalities to the amount of the capital sum of their subscribed stock; and a dividend thereon not exceeding seven per cent per annum.

3. In favor of the government of this province, for the amount of the provincial bonds exchanged for the bonds and debentures of the company under the provisions of this act.

19. In the event of the company determining to accept the loan hereinabove specified, upon the terms and conditions set forth in this act, and signifying their acceptance thereof, in the manner and form herein provided, from and after the twentieth day of May, one thousand eight hundred and seventy-four inclusively, the board of directors of the company shall be composed of twelve members in addition to the representatives of the municipalities entitled to form part thereof. Of these twelve members, six shall be named by the lieutenant-governor in council, and six only shall, in future, be elected by the shareholders and bond-holders, in the manner hereinafter provided; but until the twentieth day of May, one thousand eight hundred and seventy-four, the said board shall consist of the present directors, and until the next election of directors the board shall not have power to fill vacancies among the directors elected.

20. In the election of directors of the said company on the twentieth day of May next, and at all elections thereafter, each shareholder shall be entitled to one vote for each one hundred dollars of stock held by him, upon which at least ten per cent shall have been paid up, and upon which all other and subsequent calls shall also have been paid up, and each person holding bonds or debentures of the said company issued under section seventeen of this act, shall be entitled to one vote for each one hundred dollars of bonds or debentures so held by him, and such shareholders and bondholders shall be entitled to vote either in person or by proxy.
21. Notwithstanding anything to the contrary contained in this act, it shall be lawful for the lieutenant-governor in council, on satisfactory proof that the Montreal Northern Colonization railway company, or the North Shore railway company, have made complete financial arrangements or entered into contracts in good faith, for the construction of their respective lines of road, and that the work thereon is in active progress, to advance, from time to time, unto either or both of such railway companies, out of the grant or loan, to which they would be entitled under this act, a sum bearing such proportion to the total amount of the grant authorized herein, as the progress of the work, and the security taken by the companies, for the completion thereof, may then seem to the lieutenant-governor in council to justify. But nothing in this section shall in any way affect the proviso contained in the sixteenth section of this act.

22. In the event of any of the said railway companies neglecting to exercise the option conferred upon it or neglecting to signify its acceptance in the manner and within the delay prescribed in this act, then and in such case, the provisions of this act shall in no respect apply to such railway company, and in so far as concerns such railway company this act shall be deemed not to have been passed.

23. All provincial bonds or debentures issued under the authority of this act shall be made payable in thirty years from the date thereof, and shall bear interest at the rate of five per cent per annum, and in the case of the issue thereof, it shall be the duty of the treasurer of the province, to cause to be invested yearly, one per cent on the amount of such bonds or debentures, as a sinking fund, for the redemption of the principal thereof at maturity.

24. The treasurer of the province on being authorized by the lieutenant-governor in council, may negotiate and sell the said debentures mentioned, and pay the proceeds thereof to the respective railway companies under this act.

25. The expression "The Quebec railway aid act of 1874" shall be a sufficient citation of this act; and it shall come into force on the day of its sanction.
NORTH SHORE RAILWAY.

REPORT OF THE CHIEF ENGINEER, UPON THE
QUEBEC RAILWAY AID ACT OF 1874.

OFFICE OF THE ENGINEER IN CHIEF.

QUEBEC, FEB. 5TH, 1874.

MR. PRESIDENT:

I have the honor to acknowledge the receipt of your letter of the 2nd instant, enclosing a copy of "The Quebec Railway Aid Act of 1874"; and requesting me to furnish you with my views as to the proper action to be taken by the Board of Directors in relation thereto.

In performing the duty which you have seen fit to impose upon me, I beg leave to state, that I enter upon it with a deep sense of the importance of the questions involved in the discussion; and also of the responsibility which must attach to the Directors, in arriving at a proper decision in relation thereto.
GENERAL PROVISIONS OF THE ACT.

It appears, from an examination of the Act above referred to, that certain Railway Companies therein named, are, upon certain conditions, to receive from the Provincial Government a grant, in the shape of Provincial debentures or their proceeds, at the rate of $2,500 per mile of completed Railway; and that certain other Railway Companies are to receive a grant of $1,000 per mile.

It further appears, that provision is made, upon certain conditions therein named, for a loan of Provincial debentures or their proceeds, as follows: to the Montreal Northern Colonization Railway Company, the sum of $751,360; and to the North Shore Railway Company, the sum of $1,248,634.

Without referring at present, to any of the provisions of this law, other than those directly affecting the North Shore Railway Company, except to call attention to the important fact, that to one class of roads the Government proposes to make a direct grant, and to another class, in which this Company is included, a redeemable loan, I will proceed to demonstrate, as well as I may be able, the probable effect that the acceptance of these provisions, in lieu of the laws now in force, will have upon the present and future interests of the North Shore Railway Company.

In order to a full understanding of the case, I will first call your attention to the present position of this Company under existing laws, in reference to points that will be affected by the new Act; and then, endeavor to show what its position would be, with reference to the same points, under “The Quebec Railway Aid Act of 1874.”
UPON THE RAILWAY AID ACT OF 1874.

CONDITION OF THE COMPANY UNDER EXISTING LAWS.

1. Your Company has a land grant of 2,000,000 acres of valuable timber lands, subject only to the condition that your Railway shall be fully completed and equipped on or before the 1st May, 1877.

2. You have a subscription of $1,000,000 from the City of Quebec, payable in City debentures, drawing interest at 7 per cent. subject only to the condition that the Railway Company shall pay the interest on these debentures to the date of the opening of the road between Montreal and Quebec, and the running of the first through train between these two Cities. You have also a subscription of $125,000 from other municipalities.

3. You have the right to issue $6,000,000 of mortgage bonds, based alike upon your Railway and land grant; and the bond holders have no vote in the election of Directors.

4. Your shareholders have a right to one vote upon each share of stock representing $25; and also to elect eight Directors to represent them in the Board.

5. The Government has a right to only four Directors.

6. You have a contract for the construction and equipment of the road for the sum of $7,000,000, payable $1,000,000 in Quebec City debentures, and $6,000,000 in the mortgage bonds of the Company; which contract provides also, that the Contractors shall pay the interest upon these securities, as well as the expenses of the Railway Company, until the road is completed and ready for business. The supplemental contract provides for an additional compensation of $3,000,000 of Capital Stock, to be placed with the bonds, upon certain conditions as to the time of completing portions of the road.
7. The Contractors have already expended about $200,000 under the present contract. The road and lands have been mortgaged for the sum of $6,000,000. The mortgage bonds have been duly executed by the Officers of the Company and the Trustee; and they are now in London, England, subject to the order of the President of the Company.

CONDITION OF THE COMPANY UNDER THE NEW ACT.

1st. Your land grant will be reduced to 1,140,875 acres, making a deficiency of 859,125 acres, in consideration of which the Government is to loan the Company its debentures, or their proceeds, for the sum of $1,248,634, at 5 per cent interest, payable in 30 years; and take from the Company, in exchange, a third class of bonds, secured by mortgage upon the road and lands, at 6 per cent interest, payable in 30 years.

2nd. You are to create a second mortgage upon the road and lands, in favor of the City of Quebec and other municipalities which have subscribed to the stock of the road, for the purpose of securing the payment of a yearly dividend not exceeding 7 per cent per annum, upon $1,125,000.

3rd. You can issue such an amount only of first preference or mortgage bonds, for the purpose of securing the completion of the road "as may hereafter be fixed and determined by the Lieutenant-Governor in Council."

4th. Your shareholders can have the right to one vote only "for each one hundred dollars of Stock"; and the first mortgage bond holders will have a right "to one vote for each one hundred dollars of bonds;" and the Stock and Bond holders can only vote for six Directors to represent their interests in the Board.
UPON THE RAILWAY AID ACT OF 1874.

5th. The Government will have a right to six Directors.

6th. The present contract will require to be so modified as to meet the conditions of the new law, with reference to payments, &c.

It is also proper to state, in this connection, that this new Act does not take effect, so far as your Company is concerned, unless assented to by the Company on or before the 1st of May next. Also the fact, that it provides that "the Treasurer of the Province, on being authorized by the Lieutenant-Governor in Council, may negotiate and sell the said debentures mentioned, and pay the proceeds thereof to the respective Railway Companies."

POINTS FIRST TO BE DETERMINED.

Having stated as concisely as possible the leading points of contrast between the position of the Company under the laws now in force, and the one under consideration, I will proceed to call your attention to some points which it seems to me the Company must necessarily determine, before it can decide intelligently upon the question of either accepting or rejecting this Act.

It will be admitted that if the Act is accepted, the work cannot go on under the present contract, without a very material modification in its terms; and it may safely be assumed also, that, in negotiating these terms, the Contractors will insist upon substantially the same values to the securities to be taken by them, in payment for work under the modified contract, that can fairly be attached to the securities agreed to be taken by them for the same amount of work under the present contract.

By referring to my report to the Company, under date of May 28, 1873, soon after my return from Europe, I find
that the following estimate of values was at that time placed upon the securities to be taken by the Contractors under the existing contract:

$6,000,000 Mortgage Bonds net 80 per cent. $4,800,000
$1,000,000 Quebec debentures " 90 per cent. 900,000

Total.............................$5,700,000

Inasmuch however, as the Contractors failed to close the negotiation upon that basis, even after having $3,000,000 of stock given them by the Company to place with the bonds, I do not think the present value of these bonds should be placed higher than 75 per cent net, and I believe that the City debentures may be estimated to net 95 per cent. Upon this basis, the following would be the present aggregate net cash values of the securities embraced in the present contract.

$6,000,000 Mortgage Bonds net 75 per cent. $4,500,000
$1,000,000 Quebec debentures " 95 per cent. 950,000

Total.............................$5,450,000

Assuming, for our present purpose, that this estimate of values is substantially correct, we will endeavor to fix the same relative values upon the securities provided for by the new Act, as follows:

Say $1,250,000, Government debentures, net 95 per cent.................. $1,187,500
$1,000,000, Quebec debentures, net 95 per cent............................. 950,000
4,400,000, Mortgage Bonds, net 75 per cent................................. 3,300,000

Being very near the same total........ $5,437,500
UPON THE RAILWAY AID ACT OF 1874.

It is to be presumed, however, that in any modification of the present contract, the Company would endeavor to provide the means necessary for the extension of the track down to navigable water, in the Cities of Quebec, Three Rivers, Berthier and Montreal; and also for the payment of existing claims against the Company, all of which would necessarily increase the amount of the first mortgage bonds to a considerable extent.

The first point therefore to be determined upon by the Company, before accepting the new Act, would seem to be, as to whether the present contract can be modified, upon satisfactory terms; and if this can be done, the second point would be to ascertain whether the Lieutenant Governor in Council would approve of the issue of the necessary amount of first mortgage bonds, to enable the Company to carry out the modified contract.

NEXT POINTS TO BE CONSIDERED.

Assuming that the points above referred to can be arranged to the satisfaction of all parties, the next points for the Company to consider will naturally be, the effect of the provisions of the new Act upon the future management of the road, and the financial interests of the Company.

The Board of Directors as now constituted, consists of eighteen members, four of whom are appointed by the Government, four by the Quebec City Council, one each by the municipalities of Three Rivers and St. Sauveur, and eight are elected annually by the Stockholders of the Company; and it is also provided in the supplemental contract, that four out of the eight Directors thus elected by the Shareholders, may be nominated by the Stockholders in Europe or elsewhere, who hold the first mortgage bonds of the Company.
From the above, it will be seen that under the present laws, the Stock and Bondholders are represented by eight eighteenths, or nearly one half of the Board; whereas, under the new Act, it is provided that the Stock and Bondholders shall be represented by only one third of the Board.

I happen to know that one of the greatest objections made during the past year, by foreign Capitalists, to the advancement of money upon the bonds of the Company, was the unequal representation, in the Board of Directors, of the capital required to construct the road; and it was for this reason alone, that the supplemental contract was made to correct the discrepancy, so far as it could be done, with the consent of the Government, and under existing laws.

The new Act will certainly have the effect to remove this objection to a very great, and perhaps adequate extent, so far as the first preference bondholders are concerned; but it is difficult to see what real protection is afforded to the present individual Stockholders of the Company.

It is proper to state in this connection, that the parties with whom negotiations were being made in Europe, authorized me to promise in their behalf, that in case the bonus of stock was granted them, they would take a transfer of any individual stock that might be offered, and repay the money which had been advanced upon it. But under the new Act, any holder of a one hundred thousand dollar first mortgage bond, could out-vote all of the present Stockholders, and effectually prevent their representation in the Board of Directors.

FINANCIAL EFFECT UPON THE COMPANY.

With reference to the effect of the new Act upon the
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financial interests of the Company, it will be observed, that under the present laws, the bonded debt is limited to $6,000,000; the interest upon which at 7 per cent. will amount to $420,000 per annum.

It has been shown that under the new Act, and a modified contract, the bonded debt, without providing for any additional expenditure, will be as follows:

$4,400,000, 1st mortgage, 7 per cent. interest...$308,000
$1,125,000, 2nd “ 7 “ “ “ 78,750
$1,250,000, 3rd “ 6 “ “ “ 75,000

making an aggregate bonded debt of $6,775,000, upon which the interest will amount to $461,750 per annum; being an excess of $775,000 in bonded debt; and of $41,750 in annual interest.

From all which it would appear that an additional financial burthen, is imposed annually upon the company, by the operation of the new Act, which is not contemplated by the existing laws; which burthen, if computed for a term of thirty years, or until the maturity of the different classes of bonds, will amount to very considerable sum.

FINANCIAL EFFECT UPON THE GOVERNMENT AND MUNICIPALITIES.

While engaged upon this branch of the subject, I have ventured to take a somewhat hasty view of the effect which the adoption of the new Act, by this Company, would have upon the financial interests of the Government and Municipalities, and the following is the result.

The Government loans the Company its bonds for say, $1, 50,000, at 5 per cent. annual interest, and takes in exchange the Company’s bonds for the same amount drawing 6 per cent. annual interest, both classes of bonds having
thirty years to run. The excess of interest is therefore 1 per cent, or $12,500 per annum, in favor of the Government. If this amount should be re-invested annually at 6 per cent. compound interest, for a term of thirty years, it would reach the sum of $998,228, or in round numbers, $1,000,000; being only $250,000 less than the Government loan.

Upon the payment, or restoration and cancelment by each party of its bonds, the Government would therefore have a surplus of $1,000,000 cash, and 859,125 acres of timber lands, which it will not have if the existing laws remain in force.

As to the effect which the adoption of the Act would have upon the financial interests of the City of Quebec, and the other municipalities which hold stock in the Company, it is quite evident from the terms of the Act, that they would secure the interest of 7 per cent, or $78,750 annually, upon their investment of $1,125,000, which at the end of thirty years, would amount to $2,362,500; and which, at the time the subscriptions were made, and until the recent passage of this Act, they expected never to receive.

It is therefore quite apparent, that, while the new Act may, as its title imports, afford this company, some present aid, by placing at its disposal a large amount of money to be used during the earlier stages of the work; yet its final effect will be, to increase its financial burthen; and to place both the Government and municipalities in a much better financial condition than they would be, under the operation of existing laws.
ONE CONTINGENCY THAT WILL JUSTIFY ITS ADOPTION.

Having entered into the investigation of this subject with the most earnest desire to find some clause or feature in the new Act, that would be calculated to infuse new life and energy into both the Company and the Contractors; and thus result in the speedy resumption of the work, and the early completion of the road; and having patiently pursued the investigation thus far with only the foregoing results, it remains to be considered whether there is any contingency under which it would be at all expedient or justifiable for the Company to accept "The Quebec Railway Aid Act of 1874."

The North Shore Railway is admitted to be the great present want of the people of the City of Quebec, and of the Country lying along the North Shore of the St. Lawrence between Quebec and Montreal; and they should have it at once, and at whatever present or future disadvantages its immediate construction may entail upon the comparatively limited number of present stockholders, who have kept the organization alive during the past ten or twenty years, and brought it up to its present condition.

If therefore, it can be satisfactorily demonstrated that the Road cannot be built within a reasonable time, under existing laws; and that it can be built at once under this new Act, I am decidedly of the opinion, that the Company should accept the new Act, at once.

REASONS FOR PAST FAILURES

In considering this most important, if not vital branch of the subject, I am quite sensible that my conclusions must be based almost entirely upon assumptions or specu-
lations, rather than upon mathematical demonstrations, such as I have endeavoured to adopt as the basis of my previous conclusions.

By the terms of the existing contract, the labor and responsibility of the negotiation of the bonds of the Railway Company, are assumed by the Contractors for constructing the road; and it is very well known, that up to the present time, they have failed entirely in negotiating a sale of these securities; in consequence of which, at least one entire working season has been lost in the construction of the road.

The reasons given by the Contractors for this failure have been:

1st. That the land grant of the Company was imperfect in its location and boundaries.

2nd. That too little was known as to the real value of these lands; and also of the resources of the country through which the Railway passes; and also of the probable earnings of the road.

3rd. The active and unrelenting opposition of the Grand Trunk Railway Company, to the construction of this road; and,

4th. The recent and almost unparalleled panic and break down in the money markets, both of this country and Europe.

While I am quite ready to admit that each of the above causes has had its effect, to a greater or less degree, in retarding the negotiation of these securities, I cannot admit that either, or all of them combined, could or would have prevented a successful negotiation, provided the Contractors had carried out the pledges which they made before
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SIGNING the contract, in relation to the amount of their own private means which they would invest in the work, before offering the securities of the Company upon the market. And I desire, as an act of justice to myself, to state here, that but for my firm belief in the sincerity of those pledges, and my knowledge of the financial ability of the Contractors to carry them out, it is quite certain that I never would have recommended them to the Company as parties who were in every way suitable for undertaking and carrying on the work to successful completion.

It was well understood, as I have abundant evidence to prove, that the Contractors would expend at least one million dollars of their own money in the work, before offering these securities for sale; and I have never entertained a doubt that, if they had done so in good faith, the entire work would now have been more than half completed, and the bonds would have been placed, at a rate that would have secured to the Contractors a handsome profit upon their contract.

THESE CAUSES NO LONGER EXIST.

But, admitting for the moment, that the reasons assigned by the Contractors for their failure, may at the time have had some force, it is quite evident that they no longer exist to any considerable extent.

The Government has furnished the Company with maps and descriptions of unoccupied lands, from which the deficiency in the original grant may be selected by the Company at any time.

During the past year, information of the most reliable nature has been obtained respecting the value of the land grant; and also as to the probable business and earnings
of the road, which information more than confirms any estimate which has heretofore been placed upon the future resources of the Company, and the consequent value of its securities.

The Grand Trunk Railway Company, having effected the large loan which it had placed upon the market, at the time when the securities of this Company were being offered in London, cannot now claim the same justification that it then did, for placing every conceivable obstacle in the way of the successful negotiation of our bonds.

The equilibrium of the money market has been fully restored; and the present is universally admitted to be a most favorable time for the negotiation of first class securities, as well as for the purchase of iron and other materials, and the employment of labor required for the prosecution of works of this character.

SUCCESS NO MORE CERTAIN UNDER NEW ACT.

In view of the foregoing facts, I can see no good reason to doubt, that if the proper means are used, the enterprise can be successfully carried out under the existing laws, and the present contract; and even if it can be demonstrated that failure would be quite certain under the existing laws and contract, I am unable to discover any good reason for believing that success would be certain under the new law.

The same amount of expenditure would be required, on the part of the Contractors, in order to give currency to the mortgage bonds of the Company; and the land security of the bonds contemplated by the new Act, is certainly much less, in proportion to the amount of bonds issued, than it is under existing laws; so that there can be
no valid reason for expecting that the first mortgage bonds to be issued under the new Act, would meet with a more ready sale, or bring a higher price in market, than the present issue under existing laws.

The only motive or excuse that would seem to justify the Company in entering into a contract of this nature at all, for the construction and equipment of the road, is the fact, that it has no available means of its own with which to commence the work; and hence the necessary consideration that the Contractors should invest in advance, a sufficient amount of their own means, to secure the successful carrying out of the contract. If this be not done, it is difficult to see what advantage the Company is to derive from the contract; and why it may not as well become at once its own Agent for negotiating its securities and carrying on the work; and thus save for its own use and benefit, the large amount of profits that it is claimed will be made under the present contract.

RECOMMENDATION TO THE BOARD.

Inasmuch therefore, as the Company has until the 1st of May next, in which to make known to the Government its final decision as to the acceptance or rejection of this new Act, I would respectfully recommend that no decision be made by the Board of Directors upon the subject, until every reasonable effort has been made, both by the Company and Contractors, to provide for the construction of the road under existing laws, and under the present contract, after giving a reasonable extension of time for carrying out its provisions.

If these efforts should entirely fail, between this time and the first of May next; and if in the mean time it
should be ascertained that the construction of the Railway may be secured upon reasonable terms, under this new Act, it will be time for the Company then to consider whether it will embrace such opportunity, and accept the Act; or whether it will still further await the course of events, in the hope of ultimately being able to avail itself of the laws now in force, which do not expire until the 1st of May 1877.

TRANSFER OF THE CONTRACT.

It may be expected that, before closing this report, some allusion will be made to the transfer, which it is understood has recently been made of the existing contract, to the Hon. Thomas McGreevy, of this City; which contract was executed in good faith, by the Railway Company, on the 5th April, 1872, with Messrs. Perry H. Smith, Samuel L. Keith and George L. Dunlap, all of Chicago, Illinois, and doing business here in the name of the Chicago Contracting Company.

Inasmuch as neither the Railway Company, nor any of its officers, have as yet been favored with a notice of this transfer, or an intimation as to its conditions, I can only assume that when the matter is brought properly before the Board of Directors, it will receive such careful consideration and action, as will be calculated to promote the best interests of the Railway Company.

Having been chiefly instrumental in bringing about the negotiation of a contract with these parties; and therefore being very justly held responsible to a certain extent, both by the Railway Company and the public, for its being carried out in good faith on their part, I may be permitted to say, that it is a source of great satisfaction to me
personally to know that, except the general loss of more than a year's time in the completion of the road, the Railway Company has sustained no pecuniary loss by the delinquency of these contractors; and that the result of the contract thus far has been, an expenditure on their part of about $200,000 a portion of which has gone to reimburse the Company for the most of its former expenditures, and to pay its current expenses; and the most of the balance has been legitimately expended in paying for right of way, grading and engineering, all of which may be made available in the further prosecution of the work.

I may also state further, and with equal frankness, that in my opinion it will be quite fortunate for the Railway Company, if it shall be found that the contract has fallen into the hands of Mr. McGreevy, whose name, reputation and acknowledged financial ability, will undoubtedly prove to be a source of great additional strength to the enterprise.

The fact that Mr. McGreevy has already assumed the contract, would seem to indicate that he feels entire confidence in his ability to carry out either the present contract, or such a modification thereof as the company may consistently sanction; and therefore, while in the one case you have had American Contractors, whose sympathies, and interests were very naturally quite foreign to those of your own Government and people; and whose principal object, as they have already demonstrated, was to make as much money out of the contract as possible, and take it with them out of the Province; in the other case, you will have an entirely responsible Canadian Contractor, whose sympathies and interests will necessarily be in full accord with
your own Government and people; and whose profits, if he should be so fortunate as to realize any from the contract, will but add so much to the wealth of the City and Province of Quebec.

It has for a long time been quite apparent, that, not only the Railway Company, but also the Government and people of Canada, were becoming more and more dissatisfied with the great want of energy and financial strength manifested by these American Contractors, in the prosecution of the work; and I would therefore expect that a change of this kind, at the present time, would be regarded with great favor, by all parties interested in a speedy resumption of work, and an early completion of the road.

All of which, is most

Respectfully submitted,

SILAS SEYMOUR.

To Colonel

Wm. RHODES,
President of the
North Shore Railway Company.