

money the State has expended on it. Notwithstanding the strictest economy has been practised by the present management, and the affairs of the Canal conducted upon the best business principles, I doubt, from the information which I have been able to gather, whether we have any reason to hope for a prosperous future for this great public work.

THE SUSQUEHANNA AND TIDE-WATER CANALS

on which the State has a lien by way of mortgage amounting to \$1,000,000.00 in principal and \$474,000.00 in interest, is a case similar in character and only differs from the other in the amount of money involved.

The mortgage on this last named Canal was, until within a few years, one of the productive investments of the State, and annually paid into the Treasury interest at the rate of six per cent.

By an Act of the General Assembly of 1884, Chapter 160, it was agreed on the part of the State to reduce the interest on this mortgage to 4½ per cent., on payment of the interest then in arrears by the Philadelphia and Reading Rail Road Company, the lessee of the said Susquehanna Canal, and depositing by said Railroad Company with the Pennsylvania Company, for Insurance on Lives and Granting Annuities, \$1,000,000.00 of its second series 5 per cent. consolidated mortgage bonds as collateral security for the payment henceforth semi-annually of the interest at the reduced rate.

I regret to state, that almost immediately after the passage of that act, the affairs of the Philadelphia and Reading Railroad Company became unexpectedly embarrassed, and it was unable to comply with the provisions of the act.

Proceedings are now pending, which will probably result, at an early day, in the rehabilitation of that company.

I recommend the re-enactment of the Act of 1884, Chap. 160, with such changes in its terms as the lapse of time has made necessary, in order that another oppor-