

13. Having regard, then, to the statements and representations which have been made to me on the part of the Dominion Government, and of the Province respectively, I am of opinion that:

- (1.) The construction of a light line of Railway from Nanaimo to Esquimalt.
- (2.) The extension without delay of the line to Port Moody, and
- (3.) The grant of reasonable compensation in money for the failure to complete the work within the term of ten years, as specified in the Conditions of Union, would offer a fair basis for a settlement of the whole question.

14. The request of the Legislative Assembly of British Columbia, that the Province be permitted to regulate and collect its own tariff of Customs and Excise until "through communication by Railway be established through British Territory with the Eastern Provinces" is, in my opinion, inadmissible, inasmuch as such an arrangement would be in contravention of the provisions of the British North America Act of 1867, relating to Customs Duties, and moreover, could not be carried into effect without Imperial Legislation which would conflict with the Legislation of the Dominion Parliament.

15. I cannot doubt that the Dominion Government and Parliament will desire, now that arrangements have been finally concluded for constructing the Pacific line, and the work is actually in progress, to bring to a close the differences with the Province by an equitable adjustment of its claims, and on the other hand I trust that the Province, considering the enormous magnitude of the enterprise which the Dominion has undertaken, will accept such a settlement as, looking to all the circumstances, is fairly in conformity with the spirit of the original agreement.

16. I request that you will communicate to the Legislative Assembly of British Columbia a copy of this despatch, and that you will inform them that their Petition has been laid before the Queen, who was pleased to receive it very graciously. I have, etc.

(Signed) KIMBERLY.

THE MARQUIS OF LORNE.

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ROBERT G. W. HERBERT ESQ.

Under Secretary of State, Colonial Office.

LONDON, AUGUST 27, 1881.

SIR: I have the honor to acknowledge the receipt of your letter of the 25th instant, enclosing to me a copy of a despatch of the same date from Lord Kimberley to the Marquis of Lorne, in which he states his opinion as to what he considers would be a "fair basis for a settlement of the whole question" involved in the recent Petition of the Legislative Assembly of British Columbia to the Queen.

I shall be glad, if you will convey to his Lordship my thanks, on behalf of the Province, for his very careful and favorable consideration of the Petition, and that I sincerely trust that his conclusions upon the subject will be acted upon by the Dominion Government and Parliament without undue delay, and thus effectually and forever set at rest the long standing dispute between the Province and Canada respecting the Canadian Pacific Railway.

I have the honor to be, sir,

Your most obedient servant,

A. DE COSMOS.