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CANADA RAILWAY LOAN.

They estimated that 3,500,000 *l.* was required for the completion of the railway, and stated that "if the 1,500,000 *l.* which Canada owes to, and proposes to raise and pay off at once to the Imperial Government be appropriated, there remain but 2,000,000 *l.* more to be provided." To meet the interest on this sum, each of the three Provinces proposed to contribute to the extent of 20,000 *l.* sterling in each year.

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page 10.

To these proposals, the Secretary of State replied in a despatch dated the 24th of December 1858, of which the following is an extract :—

"However important may be the foregoing advantages, it has been found that objects of interest to Great Britain yet more urgent must yield to the necessity of not unduly increasing at the present moment the public burthens. For this reason I can only express my deep regret that, while doing full justice to the ability of the arguments advanced by the gentlemen who visited this country as delegates upon the subject, and while far from undervaluing the benefits of an intercolonial communication by railway, Her Majesty's Government have not found themselves at liberty to accede to the proposal of granting Imperial aid towards the completion of the line between Halifax and Quebec."

Answer to
Delegation of
1858.

In the autumn of 1861 delegates from the three Provinces were again commissioned to treat with Her Majesty's Government for the construction of the railway. The terms then proposed were as follows :—

Delegation of
1861.

"To sum up, the proposal made to the British Government is to join the three Provinces, in a guarantee of 4 per cent. upon 3,000,000 *l.* sterling, the assumed cost of the proposed works, less the cost of the right of way, which the Provinces will provide. The Provinces are ready to pass Bills of supply for 60,000 *l.* a year, if the Imperial Government will do the same ; and as no doubt this Imperial route will gradually work on with increasing returns, the sum of the risk will gradually diminish, until at last, and perhaps before many years are over, the liability may cease altogether. The Canadian Railway Companies are open to treat for the working of the new line, so as to avoid any liability beyond the gross amount of the joint guarantee. The selection of the route of the line is left solely to the British Government.

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page 5.

"Should the British Government prefer to raise the capital for building the road, their outside responsibility under such arrangements would be 3½ per cent. on 3,000,000 *l.*, or about 97,500 *l.* a year, and the Provinces would still be responsible for one-half, leaving a net liability to the British Government of only 48,750 *l.* a year ; but if they are not disposed thus to increase their nominal and decrease their real responsibility, the sum required for the estimated length of 350 miles of railway, namely, 3,000,000 *l.*, can be raised on the terms named ; viz., by the mutual guarantee of 120,000 *l.* a year, or 60,000 *l.* a year from the provinces and 60,000 *l.* a year from the British Government, which guarantee will enable the issue at par of 3,000,000 *l.* of 4 per cent. stock."

These proposals of the delegates were answered by the late Duke of Newcastle, on the 12th of April 1862, as follows :—

"I much regret to inform you that, after giving the subject their best consideration, Her Majesty's Government have not felt themselves at liberty to concur in this mode of assistance. Anxious, however, to promote as far as they can the important object of completing the great line of railway communication on British ground, between the Atlantic and the westernmost parts of Canada, and to assist the Provinces in a scheme which would so materially promote their interests, Her Majesty's Government are willing to offer to the Provincial Governments an Imperial guarantee of interest, towards enabling them to raise by public loan, if they should desire it, at a moderate rate, the requisite funds for constructing the railway. This was the mode of action contemplated by Earl Grey in the year 1851, and is the same method which was adopted by Parliament in the Act of 1842, in order to afford to Canada the benefit of British credit in raising the money with which she has completed her great system of internal water communications. The nature and extent of the guarantee which Her Majesty's Government could undertake to recommend

Answer to Dele-
gation of 1861.
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