

COPY of a Report of a Committee of the Honourable the Privy Council, approved by His Excellency the Governor General in Council, on the 27th August 1868.

THE Committee have had under consideration the annexed memorandum from the Honourable the Minister of Finance, submitting for consideration and approval, certain arrangements which he suggests should be made in view of the exceptional state of the financial affairs of the Dominion, and reporting the measures he has adopted in reference thereto.

The Committee advise that the action taken by the Minister of Finance be approved; and further, that the balance due to the Financial Agents in London be paid out of the amounts on deposit with them; that the maturing bonds, and other engagements mentioned in the memorandum of the Finance Minister, be paid, and that his recommendation, as to the issue of Exchequer Bills or Bonds be carried into effect through the Treasury Board, in such form as may be deemed expedient; and finally, that the Finance Minister be authorised to carry out his suggestion with reference to Exchange, in such manner as he may deem most advantageous.

(Certified) *W. H. Lee,*  
Clerk, P.C.

The undersigned has the honour to submit a statement of the amount deposited on account of the Intercolonial Loan, together with the other balances available to the Government in the banks here, amounting in the aggregate to about \$6,200,000, accompanied with a statement of the engagements which the Dominion has to meet at an early day.

The loan of two and one-half millions of dollars from the Bank of Montreal, and the bonds amounting to \$880,000, issued in 1866, both bear 7 per cent. interest, while the amount payable to Ontario, bears 5 per cent.

The balance on the account of the Financial Agents in London also bears 5 per cent. interest.

These agents report that they are unable at the present moment to obtain in England more than 1 per cent. per annum on the sum in their hands. It is obvious, therefore, that, unless other employment can temporarily be found for the money, a serious loss of interest may take place, for the Dominion is paying at the rate of 7 per cent. interest on all its old current loans, 4 per cent. on three-fourths, and 5 per cent. on one-fourth of the Intercolonial Loan, and 5 per cent. to Ontario, and a like rate on any balance due the Fiscal Agents in London.

The Minister of Finance begs to bring under the notice of his Excellency in Council the following suggestion, by which it is sought to accomplish the double purpose of finding such employment for the money as will avert a serious loss to the dominion in the way of interest, and at the same time provide, beyond all possible eventuality, for having the Intercolonial money immediately available whenever it may be required for the prosecution of the work.

The credit with Messrs. Baring & Glyn, which the dominion may avail of to the extent of 250,000*l.* sterling, he proposes shall be specially used, if need be, to recoup any portion of the Intercolonial money that may now be invested in any interest-bearing securities, issued for the reduction of such dominion liabilities as bear a high rate of interest, and the Bank of Montreal have agreed to grant a further credit for the like purposes of the Intercolonial Railway, to the extent of 500,000*l.* sterling.

He suggests, further, in addition to these special credits provided for recouping the Intercolonial Loan, that Exchequer Bills of the Dominion, bearing a like rate of interest as is payable on that loan, be prepared; that these Exchequer Bills shall be receivable in payment of all dues to the Government, and be placed in the hands of the Receiver General, as Trustee for the Intercolonial Fund, and not be issued by him unless needed for that work.

There will thus be available, for recouping the Intercolonial Fund, apart from the general resources of the Dominion, the special credits of the Financial Agents and of the Bank of Montreal, and Exchequer Bills convertible at any moment, as they are receivable in payment of public dues, at short date.

Although the undersigned does not contemplate the probability of any occasion arising, which will render it necessary for the Dominion to avail itself of any of these special means provided for replacing the Intercolonial Fund, and although, under ordinary circumstances, the surplus revenues of the Dominion, and the incomings from good debts actually due to it from Savings Banks deposits, and the issue of Dominion Stock to Insurance Companies and the public, as demand for it may arise, might be relied on to meet the payments on the works, according to their progress; yet in view of the circumstances attending the issue of the Intercolonial Loan, he is of opinion that the special provisions before suggested, should be supplied before even a temporary use of any portion of the fund is made.

If Council deem it expedient to invest any portion of the Intercolonial money in such way as to reduce the interest payable by the Dominion, it will be necessary to bring the funds now in deposit with the London Financial Agents, to Canada.