

portion of it was to pass. It was unreasonable, therefore, to expect us to begin to repay the money until the object for which it had been borrowed was accomplished. But, if ten years were allowed to elapse before any sinking fund attached, within that period the road would be built, the wilderness peopled, and the population of all the Provinces would be largely increased. They would be enlivened by the animating influences of the work itself, and would, in 1874, be in a condition to bear up buoyantly under obligations, which, in 1864, it might be perilous to assume.

We also pointed out the positive loss which must be entailed upon the Provinces, should they be compelled to invest an accruing sinking fund in the three per cents: and suggested that, as it accumulated, after the end of the first ten years, we should be permitted to invest it in bonds of any of the Colonies, bearing six per cent, or in any other securities, to be approved by Her Majesty's Government.

Upon neither of these points was Mr. Gladstone prepared to give us an answer. He said they were new to him, and he would reflect upon them, with every desire to meet our wishes, if he could; but, being new and very important, he must not be asked to decide without consideration.

On leaving the Chancellor's residence, I felt that the whole matter turned upon the concession of these two points. If they were conceded, the sinking fund was shorn of its terrors, and I was prepared to accept the proposition. If they were not yielded, then I was prepared, so far as Nova Scotia was concerned, to have closed the negotiation. Mr. Tilley took precisely the same view of our position. We hoped that we could carry both. The Canadian delegates were less sanguine. They believed that, after long delay, the decision would be against us on both, and that the whole negotiation would be ultimately unsuccessful. In this belief they left London for a short visit to Paris, Mr. Tilley and I being free to obtain these concessions, if we could.

We at once put ourselves again in direct communication with His Grace the Duke of Newcastle, and made it clear to His Grace, that, in our judgments, the whole negotiation hung upon these two points. Our views were communicated to the Chancellor of the Exchequer, and, on the following day, we had the satisfaction to learn from His Grace that both points had been yielded by Mr. Gladstone.

As the negotiations were now virtually brought to a close, and Mr. Tilley was anxious to return home by the steamer from Liverpool on Saturday, 14th December, we arranged with Sir Frederic Rogers that the propositions, as they were now mutually understood, should be sent to us in form—that Mr. Tilley would then accept the guarantee in an official letter, leaving me to do the same, if, on the return of the Canadian Delegates from Paris, they were still dissatisfied, and indisposed to join in such a letter as, in my judgment, was required to meet the case.

The following Treasury Minute was sent to us by Sir Frederic Rogers on the 13th December:

(COPY.)

It is proposed—

1. That Bills shall be immediately submitted to the Legislatures of Canada, Nova Scotia and New Brunswick, authorizing the respective Governments to borrow £3,000,000 under the guarantee of the British Government, in the following proportions: Five-twelfths, Canada; three and a half-twelfths, Nova Scotia; three and a half-twelfths, New Brunswick.