

hands of foreigners. Acting upon this suggestion, Sir *Hugh Allan* turned his attention to the matter, and eventually, in conjunction with these American gentlemen and some Quebec friends of his own, formed a company for the prosecution of the work. But as the Session of 1872 approached, it became evident that the admission of parties connected with the American Pacific to a share in the contract for the Canada Pacific was become unpopular, and, Parliament appearing to share this feeling, it was announced by the Government to Sir *Hugh Allan* that no proposals emanating from an American Company would be entertained.

On this intimation, Sir *H. Allan* appears to have addressed himself to the organization of a purely Canadian company, and gave to the Government the most positive assurances that he had entirely dissociated himself from his American friends.

In the meantime another Company had been formed in Toronto called the "Inter-oceanic Company," of which Mr. *Macpherson*, a gentleman of very high standing* and character, and a Dominion Senator, was chairman.

During the ensuing Session—that is, in the spring of 1872—both the Companies, the "Interoceanic" and "Canada Pacific," as Sir Hugh's was now called, obtained Acts of Incorporation, and, at the same time, an Act of Parliament was passed enabling the Government to enter into a contract with one or other of the above-mentioned Companies, or with an amalgamation of the two, or, if they should see fit, to grant a Royal Charter to a new and altogether distinct company, in case an agreement should be found impossible with those already in existence.

The terms which Government was authorized to grant to whatever Company undertook the contract, were settled in the last Parliament, and will already have been communicated to Your Lordship by my predecessor, Lord *Lisgar*, who, up to this time, was still in office; but it may be convenient to mention that the principal concessions consisted of a grant, under certain conditions, of 50,000,000 acres of land, in alternate blocks along the line, and of a subsidy of \$30,000,000 (say £6,000,000 sterling). Of this sum, the interest of £2,250,000, which, by the transference of the fortification loan to the same account, became eventually £3,800,000, was guaranteed by the Imperial Government.

The Session closed on the 14th June. Parliament was dissolved on the 8th July. On the 25th June I arrived in this country, and became personally cognizant of many of the events I now proceed to record.

From the 15th of July to the 12th of October the elections were being held. As soon as they were concluded, Sir *John Macdonald* returned to Ottawa, and the Canadian Pacific Railway became a frequent topic of conversation between us. My Government never seem to have favoured the idea of giving the contract to either of the rival companies, who were then competing for the preference. In Senator *Macpherson's* company an Ontario interest was very strongly represented. In Sir *Hugh Allan's* a Quebec interest predominated. The contemplated undertaking would evidently tax the resources of the country to the utmost. It would be undesirable, therefore, Sir *John* argued, that any Canadians desirous of putting their shoulders to the wheel should be excluded, and a fusion of the two Companies—as provided for in their incorporation acts, and contemplated by the Act of Parliament—was the object to be attained. Into the intricate and somewhat obscure negotiations which then ensued between Mr. *Macpherson* and Sir *Hugh*

Allan, at the instance of my Government, I need not enter. They are sufficiently No. 2. displayed in the Blue Book which I subjoin, and which I have marked for reference. It suffices to say that, notwithstanding Sir *John Macdonald's* efforts to bring the parties to an understanding, the negotiation altogether failed, principally, as it was alleged on the one side, because Sir *Hugh Allan* had not really broken off his connection with the American interest, and on the other, because Mr. *Macpherson* was not willing to recognize the claims to the chairmanship of Sir *H. Allan*, whose pretensions my Government were disposed to favour, in consideration, as they stated, not only of his influential position in the province of Quebec, but as having been the first Canadian in the field to associate himself with the enterprise.