

Dominion, the Legislative Assembly of British Columbia invited the Earl of Carnarvon to declare the terms which, in his opinion, should be agreed to as a settlement of the points in dispute.

Lord Carnarvon proposed the following terms:

1. That the Railway from Esquimalt to Nanaimo should be commenced as soon as possible, and completed with all practicable dispatch.
2. That the surveys on the mainland should be pushed on with the utmost vigor.
3. That the wagon road and telegraph lines should be immediately constructed.
4. That \$2,000,000 a year, and not \$1,500,000, should be the minimum expenditure on railway works within the Province from the date at which the surveys are sufficiently completed to enable that amount to be expended on construction. The annual expenditure to be as much in excess of the minimum of \$2,000,000, as in any year might be found practicable.
5. That on or before the 31st December, 1890, the Railway should be completed and open for traffic from the Pacific seaboard to a point at the western end of Lake Superior, at which it would fall into connection with existing lines of railway through a portion of the United States, and also with the navigation on Canadian waters.

The extension of the line from the west of Lake Superior, passing by the country north of that lake, to the existing Canadian Railway system, was to be considered as postponed rather than abandoned.

These terms were accepted by Canada in a Minute of the Privy Council, dated the 18th September, 1874, in which the Government, in thanking Lord Carnarvon for his good offices, assured his Lordship that every effort would be made to secure the realization of what was expected.

Thus the matter was apparently satisfactorily arranged; but in April, 1875, the whole question was again reopened by the rejection in the Senate on a vote of 23 to 21 of the Bill introduced by the Canadian Government for the construction of the Esquimalt and Nanaimo Railway.

In consequence of the loss of this measure, it became necessary for the Canadian Government to consider some other method of meeting the expectations of the people of British Columbia, and they finally proposed the sum of \$750,000 as a compensation in place of the Island Railway.

The proposal of the Canadian Government, as might have been expected, caused great discontent in British Columbia, and gave occasion to certain minutes of the Executive Council of the Province, and to a Petition to the Queen from the Legislative Assembly, complaining of the non-fulfillment by Canada of the "Carnarvon terms," and praying that the Canadian Government might be immediately moved to carry out the terms of that settlement.

10. The reply to these representations was deferred, pending the visit of the Earl of Dufferin to British Columbia. Early in 1877, after visiting the Province, Lord Dufferin reported that the money equivalent in lieu of the Island Railway, was the principal point still pending, and that by the Spring of 1878, his Government might expect, through completion of the surveys, to know its exact position. But in 1878 Mr. Mackenzie's administration was succeeded by that of which Sir John A. Macdonald is now premier, and a further delay occurred while the Railway policy of the present Dominion Government was being matured.

11. An important Act has now been passed under which provision has been made for the construction of the Canadian Pacific Railway with all practicable speed, and the prospect of the early extension of Railway communication to British Columbia is far better than at any previous time.

12. Reverting then to the three points which have been on the present occasion more particularly brought under notice, I have the honor to acquaint you that Sir J. Macdonald, whom of course I have consulted fully and repeatedly, has informed me as follows:

(1.) That it is the intention of the Dominion Government to complete without delay those portions of the Pacific Railway, including the line to Port Moody, which the Dominion Government has engaged to construct and hand over to the Syndicate, and that directions were some time ago given for the final location survey of the line to Port Moody; and that this survey is now in progress and will, it is understood, be finished in time to be submitted with the estimate of cost to the Canadian Parliament at its next session.

(2.) A proposal has been made to the Syndicate to construct at once a light line of railway from Nanaimo to Esquimalt, which they shall engage to hereafter improve so as to make it equal in all respects to the mainland Pacific line, and Mr. Stephen has informed Sir John A. Macdonald that the Syndicate is disposed to view this proposal favorably. If the Syndicate should, however, not undertake to make this light line, Mr. Stephen has been informed that the Dominion Government cannot, in Sir John Macdonald's opinion, resist an application that may be made by the Government of British Columbia to the Parliament of Canada for the restoration of the lands now reserved on the Island for the Esquimalt and Nanaimo Railway.

(3.) Sir John A. Macdonald intimated that if the question of the Nanaimo Railway is finally disposed of, the Dominion Government will be ready to confer with that of British Columbia on the subject of the alleged breach by Canada of the Terms of Union in the non-completion of the Pacific Railway within ten years from 1881, and to submit the result of the negotiation to the Dominion Parliament for its favorable consideration.