

far the Dominion Government claim the rights, and acknowledge the obligations, originally conferred or imposed upon the Provincial Legislature, under the Acts and the Agreement forming the basis of the understanding with the Company. From the conversation which I had with the Hon. the Minister of Public Works, I am led to believe that the Dominion Government claim to have the right, and acknowledge the obligation, to deal only with those questions directly affecting the Customs Revenue, and the Railways taken over by them,* which would, I assume, only include the claims before referred to under the sub-heads numbered 1, 2, 6, and 8, and would leave the claims under the sub-heads numbered 3, 4, 5, 7, and 9 to be dealt with by the Provincial Government, whilst the right of purchase, under clauses 7, 8, and 10 of the Acts of the Provincial Legislature of 1865, and the power of controlling the rate of tolls to be charged by the Company to the public under clauses 3 and 8 of the Agreement of 22nd November, 1866, would, so far as they may now remain in force, also vest in the Provincial Government; and I beg to ask the decision of the Dominion Government upon these points.

6. I am prepared, on behalf the Company, and am, moreover, anxious to meet any representative whom the Government may appoint, with a view to deal with the matters under clause 11 of the said Agreement, which I would point out are not confined exclusively to a "traffic arrangement, including running powers," but also extend as an alternative to a "joint operation of the two lines." In the interim, of course, the Company continue to suffer direct loss from the delay which the Dominion Government have created, and it must, of course, be understood that the Company's claim for compensation is not to be prejudiced by any action of such representatives, unless such matter of compensation be also submitted to them for their decision.

7. I cannot conceal from myself the difficulty of the Company and the Government together, working their traffic efficiently over so long a length as 45 miles of single line, unless the Government complete their line by the erection of the proper locking apparatus and signals, and the construction of the proper sidings and passing places, and appoint signalmen at the proper points; but being sincerely anxious to avoid trouble, and to make the most of the two lines, in doing which I feel that I shall serve the interests not only of the Company and the Dominion Government, but also of the people of the Province, I am prepared, as a further effort in the interests of peace, to offer, on behalf of the Company, to lease, work, and maintain the Government line and appurtenances, from the junction with the Company's line, at Windsor, to the Waverly Junction, for the period of 99 years, and to pay over to the Dominion Government, by way of rental, annually, a sum equal to ten per cent. of the gross toll earned by the Company upon the line, and for the exercise of unrestricted running powers over the remaining portion of the Government line from such Waverly Junction into Halifax, including any extensions thereof to be hereafter constructed, to pay, by way of toll, annually, a sum equal to forty per cent. of the gross toll earned annually by the Company upon the line—such payment of forty per cent. to include the use of all stations and all conveniences, and a share of the services of the Station Agents, Booking Clerks, and other servants employed by the Government at the stations, depots, and junctions. If this offer be accepted by the Government, I apprehend that I, on behalf of the Company, and a representative of the Government, with an umpire to be agreed upon between us, would, with the assistance of the Superintendent of the Government line, and of the Manager of the Company's line, have no difficulty in settling the details of the working.

* It is necessary to add that since the above letter was written, the writer has been informed by the Minister of Justice that the views of the Minister of Public Works as to the limitation of the liability of the Dominion Government must have been misinterpreted or misunderstood.