

To the Directors of
The Halifax & Great Western Railway Company.

RUSSELL HOUSE,
 OTTAWA, DEC. 8, 1886.

Consolidation of Western Railways.

GENTLEMEN,—

The negotiations with the Government of Canada in this matter which I have been carrying on in your behalf have now reached a point at which it seems desirable to place before you a connected statement of the proceedings which have been taken up to this time. I have, therefore, the honor to submit to you the following review of the negotiations from the date of the passing of our Charter, and the other legislation upon this subject, by the Provincial Legislature.

2. Upon our arrival at Ottawa, Mr. C. A. Scott and I presented to the Government, the Memorial dated May 21, 1886, copy annexed. (Appendix A.)

3. Previous to the passing of the legislation by the Provincial Legislature, there had been long negotiations between the representatives of the Western Counties Railway Company and ourselves, as to the amicable acquisition of that Railway and the transfer of all its rights, privileges and claims to your Company so as to enable the latter to obtain the "release of claims" in respect of the Windsor Branch, required by Chap. 16 of the Acts of the Parliament of Canada, 1882. These negotiations resulted in an arrangement to which, as we understood, the Western Counties Directors assented, whereby the holders of A bonds outstanding were to receive 20 per cent. of the face value of these bonds in cash, out of the \$100,000 provided in our scheme, and in certain cases a further 20 per cent. in bonds of the Company ranking after the guaranteed bonds, but before the preference or ordinary shares, such bonds bearing interest at 5 per cent. and to be payable, principal and interest, within 20 years. It was further provided that the municipality of Yarmouth were to receive an equal amount of common stock of the new Company in exchange for \$100,000 of common stock of the Western Counties Company held by them; and also that with a view to interest the local people in the new Company, the actual residents of Yarmouth should receive common stock of the new Company in exchange for the shares held by them in the Western Counties Company.

4. It may be as well to pause here to point out what would be, under these arrangements, the total cost to your Company and to the Government of Nova Scotia, of the Western Counties Railway, from Yarmouth to Annapolis. This cost is made up of three components: (1.) The loans due from the Western Counties Company to the Government to be remitted; (2.) Cash, bonds and stock, to be paid by the new Company to the old one; and (3.) cash to be expended in completing and repairing the existing railway.

5. The figures are as follows:

A. Loans to be remitted:	
Guaranteed loan of £55,000, with accrued interest	\$375,000 00
Subsequent loan of £10,000.....	50,000 00
B. Payment to old Company:	
Cash out of guaranteed funds.....	120,000 00
Bonds of new Company.....	45,300 00
Shares of new Company to Township of Yarmouth	\$100,000 00
Others in Yarmouth.....	100,000 00
	<hr/>
	200,000 00
C. Expenditure by new Company:	
Repairs to existing railway.....	200,000 00
Construction of "Link".....	600,000 00
	<hr/>
	1,590,300 00

or about \$18,500 per mile for the 86 miles.