

substantiated, not only by the history of other Companies similarly situated, but by the unprecedentedly low percentage of its operating expenses as shown by its Government returns.

I have urged upon you the fact that any substantial reduction of rates such as the Canadian Pacific Railway Company has specifically offered, and such as you hope to obtain, must have a disastrous effect upon a Company like the Canadian Northern.

I have pointed out to you that this is by far the most important transaction the Province has ever considered; a transaction in which a mistake may not only be fatal to Manitoba but seriously detrimental to all of Canada, and have most strongly urged, as representing a Company most deeply interested in the future of Western Canada, that your Government should, before finally committing the Province by any contract, make the fullest and most searching enquiries into the subject.

The time, so far at your disposal, cannot possibly have permitted you to make a thorough investigation, and to have resort to the technical information, wide range of facts, and other matters necessary to enable you to arrive at an intelligent conclusion.

Under these circumstances, would it not appear to be imprudent, if not absolutely reckless, to enter into a contract with the Canadian Northern Company, which, in the expressed opinion of your Government, is not in the best interests of the Province, and which was decided upon in contravention of the best judgment of your Government at a meeting of your followers hastily called, and held under such conditions as would make it impossible for these gentlemen to become fully informed, as to the magnitude of the financial responsibility that the Province proposes to assume.

In order to enable you to make the necessary investigation, the Canadian Pacific Railway Company is willing to enter into an agreement with your Government, for, say, one year, to the effect that the Government shall during that period operate the lines proposed to be leased from the Northern Pacific Railway Company, and that the Canadian Pacific Railway Company shall provide rolling stock, and accord most reasonable rates for handling between Winnipeg and Fort William, or Port Arthur, all traffic originating in or destined to the lines operated by the Government. These rates I am now ready to discuss, and in a spirit calculated to enable you to determine, within the year, the earning capacity of the lines proposed to be leased from the Northern Pacific, when operated under most favourable circumstances as portion of a system extending to Lake Superior.

This Company will also agree that, at the end of the term, its proposition of January 22nd, as amended by this letter, will be open for acceptance by your Government.

The Company's justification for making this offer, under all the circumstances outlined above, is that these lines can be operated most economically as a portion of its large railway system, and because the revenue from the traffic, that the lines would contribute to its extensive mileage east of Fort William, would make them more valuable to this Company than they could possibly be to the Northern Pacific Railway Company, the Canadian Northern Railway Company or to the Manitoba Government.

The magnitude of the proposed transaction between the Government, the Northern Pacific Railway Company and the Canadian Northern Railway Company and the crushing financial burden that it would probably impose on the Province, from which there can be no escape, once the contract has received legislative sanction, prompts me to urge upon you that no definite arrangements in connection with it be made between the Government and the other parties until, at least, there has been further opportunity to discuss the whole subject with the Members of the Legislature.

I have the honour to be,

Sir,

Your obedient servant,

(Signed) T. G. SHAUGHNESSY,

President.