

MONTREAL, 8th February, 1901.

HON. R. P. ROBLIN,
Premier of Manitoba,
Winnipeg, Manitoba.

SIR,

The Executive Agent of the Company has reported to me your advice to him that at a caucus of the Members of your party recently held it was decided by a majority of the Members, against the wish of your Government, not to accept the proposition of the Canadian Pacific Railway Company addressed to you and dated 22nd January last.

In view of your assurance to me when in Winnipeg that your Government would not reject the Canadian Pacific Railway Company's proposition, without my having a further opportunity of communicating with you, to enable me to amend the proposition to, so far as possible, come into accord with the wishes of your followers, I have decided on behalf of the Canadian Pacific Railway Company, to submit the following modifications of the original proposition, and also the alternative offer herein contained.

I am constrained to endeavor to meet the views of your followers, not only by my desire to make an arrangement with your Government which will be in the best interests of the Province, and will secure for the company the hearty support and co-operation of all residents of Manitoba, but also by your frank statement to me that the proposition was a much better one than you had expected to deal with, and by the further statements made by yourself to Mr. Baker, and by the Hon. Mr. Phillips, that the proposition was, subject to the modifications which are now being considered, satisfactory to your Government, and was, in the opinion of all members of your Government, the best offer in the interests of the Province that you had received, and that it was against the unanimous wishes of your Government, and against the views of the people, which you considered to be in the best interests of the Province, that caucus had decided not to accept it.

For these reasons, and the reasons hereinafter discussed, I beg, on behalf of the Canadian Pacific Railway Company, to offer the following modifications to the proposition of the 22nd January, which, except as herein altered, will stand as originally made:

1st. The Company will withdraw that portion of its original proposition restricting your Government from assisting other roads in the construction of the Province for a period of ten years, thus leaving the Government of the Province free to act as it may deem best in such matters.

2nd. The Company will modify its request to be placed in the same position as to taxation as the Canadian Northern Company, by agreeing to pay such taxes as may be imposed up to one per cent. (one hundredth of one per cent. as at present) of the Company's earnings in Manitoba.

The result of these modifications is to offer your Government, without return, the great advantages contained in the Company's offer of the 22nd January, the only benefit the Company is to receive being a reduction in the amount of taxes to be imposed, but still leaving the Canadian Pacific Railway Company the only Railway taxed by your Province.

I have personally given you the reasons why, in my opinion, it will be most disastrous to the Province should the contract, the terms of which you have disclosed to me, be entered into with the Canadian Northern or any other Railway Company. I have pointed out to you, that in making the proposed contract, the Province assumes a fresh liability of \$12,800,000, and an annual payment of \$682,000; that according to the sworn returns to the Dominion Government, the lines of the Northern Pacific Railway Company in Manitoba were last year operated at a loss of \$185,573.21 apart entirely from interest on bonds, notwithstanding the fact that these lines are constructed through some of the most fertile parts of your Province; that taking this as a basis, and allowing every margin in favour of the Canadian Northern Company, that Company cannot hope to more than pay its operating expenses for many years to come, and that in the meantime the Province of Manitoba must pay out annually for rental and interest the sum of \$682,000, a sum approaching the present total gross revenue of the Province without any claim against, or hope of recovery from the Company.

I have shown you that the statement that the Canadian Northern Railway Company has been able to pay its operating expenses and interest on its bonds from the commencement may be due to abnormally high freight rates charged by that Company to its contractors (its owners) for hauling construction material, and that this view is clearly