

In the event of the two Provinces constructing the portion of the line above-referred to, and of its eventually becoming part of the whole Intercolonial Railway, Her Majesty's Government, so far as they are concerned, will consider it to form part of the scheme to which the proposed Imperial guarantee would be extended.

This decision is conveyed in the annexed letter to Mr. Watkin, which was communicated to the Governors of the British North American Provinces in March 1864:—

"Sir,

"Downing-street, 19 March 1864.

"The Duke of Newcastle desires me to inform you that he has received from the Lords of the Treasury a copy of your letter of the 15th of February, contemplating the construction, by New Brunswick and Nova Scotia, of the first link of the Intercolonial Railway between Truro and the Bend, and suggesting that the line so constructed should be held to be part of the larger scheme contemplated in the laws recently passed by those two Provinces, and by the Memoranda of December 1862 and January 1864, recited in those laws.

"I am directed by his Grace to inform you in reply that if the Lower Provinces shall, at their own expense, commence the construction of a railway on a line approved by Her Majesty's Government between Truro and the Bend, and if subsequently the proposed loan of 3,000,000 £. shall be raised under the Imperial guarantee in virtue of the offer contained in the above Memoranda, the railway between Truro and the Bend, and the works constructed thereupon by the Lower Provinces, shall (as far as Her Majesty's Government is concerned) be considered to form part of the railway on which the loan of 3,000,000 £. is to be expended, and that his Grace sees no reason for requiring any change in that part of the Memoranda which declares that 5-12ths of the loan shall be chargeable against Canada, 3½-12ths against Nova Scotia, and 3½-12ths against New Brunswick.

"The further question, what part of that sum of 3,000,000 £. should be paid over to New Brunswick and Nova Scotia, in consequence of the works affected by them without the concurrence of Canada, will be mainly a question for the Provincial Governments, in which it must be understood that Her Majesty's Government is not to be involved. But the Imperial Government, before being party to any such payment in respect of this section of the railway, must have sufficient security that the whole scheme will be prosecuted with effect.

"It is scarcely necessary to observe that this assurance is given merely for the purpose of providing (as far as Her Majesty's Government is concerned) that New Brunswick and Nova Scotia shall not be prejudiced by commencing the railway in anticipation of a final arrangement (if such arrangement should ever take effect), and is not to be construed as in any way varying or keeping alive, or extending that arrangement, or as imposing on the Imperial Government any liability to assist in the construction of the shorter line now contemplated, whether by way of guarantee or otherwise, except in pursuance of the offer of December 1862 and January 1863. Therefore no claim whatever is to be made on the Imperial Government, unless the whole project is carried into execution; and if the offer of 1862-63 should fall to the ground, this assurance will of course fall with it.

"It must also be understood that the present correspondence is not to affect the right of the Home Government to determine for itself at what period the offer of 1862-63 shall be held to be cancelled by the failure of the Canadian Government to fulfil the first of the proposed conditions—viz., that of submitting immediately to the Colonial Legislatures the Bills required for carrying that offer into effect.

"I am to add, however, that Her Majesty's Government consider that offer as still subsisting, but would certainly cease to do so unless a definitive arrangement were made, and the necessary Colonial laws passed, within five years of the date of the first Memorandum—i. e., before December 1867.

I am, &c.

"E. W. Watkin, Esq.

(signed) "Frederic Rogers."

The printed Report of Mr. Fleming's survey gives a full account of the various routes proposed for the railway.

December 1865.

E. B. P.