

a considerably less sum granted in aid to our Company would enable us, besides building the line and carrying out consolidation, to make some substantial compensation, on behalf of the Dominion Government to their bondholders.

18. After some discussion, I visited Yarmouth and succeeded in effecting a provisional arrangement to the following effect: If the Dominion Government would grant us a moderate subsidy (eventually fixed at \$375,000) we were to buy up the bonds, including those deposited with the Government of Nova Scotia by Messrs. Markby, Stewart & Co. at 40 per cent of their face value. We were to pay the Company itself \$5,000 to meet some floating debts, and we were to buy the stock of the Municipality at a price of 33 to 40 per cent of its face value. The Company was to surrender the Railway peaceably to us, and to give the release of claims required by the Dominion Government.

19. All the Yarmouth bondholders assented to this scheme, as did other principal holders; and as by this arrangement the bondholders would have received much more than they are likely to get in any other way, I believe all would have fallen into it eventually, except possibly Mr. Plunkett, who however holds but a small quantity of debenture stock.

20. Having obtained the assent of the Government of Nova Scotia to my proposed scheme, provided it did not infringe upon any of the provisions of our contract with them, I proceeded to submit it to the Government of the Dominion in my letter of Aug. 27, and the memorandum annexed thereto (appendices F. & G.) addressed to the Honorable the Minister of Railways. The Minister of Finance had expressed in Parliament a desire that the scheme should be carried out, provided that justice be done to the Municipality and to the Western Counties Railway Company. It appeared that the justice desired by these bodies consisted in the payment of claims alleged to be due to them from the Dominion Government. If these claims were not considered by the Dominion Government well founded, then the non-recognition of them by us was not an injustice, and there was no reason on that ground for refusing the assent of the Government to our scheme. If on the other hand the claims were well founded, the injustice would be in the Dominion Government's refusal to settle them, and this again could be no reason for refusing to assent to our scheme.

21. I showed how the Dominion Government could meet these claims, and satisfy all reasonable demands, and at the same time ensure the completion of the link, and the consolidation of the system, at a less cost than they had already undertaken to incur for an imperfect and mutilated scheme. I pointed out that this system of trunk railway has had no aid at all from the Dominion, except the subsidy of \$64,000 voted in 1884, and the promise of the Windsor Branch, the value of which is nullified by the conditions and burdens attached to it; and urged that, considering the scale of subsidies granted to railways in other Provinces, and the large contributions to these subsidies furnished from the revenues of Nova Scotia, the amount of \$375,000 asked for was most moderate and reasonable. I explained carefully that the Company only asked for an increase of the original subsidy to enable them to meet claims upon the Dominion Government itself, and not for the benefit of the Company; I showed Ministers how it was proposed to apply the increase asked for, and offered to modify either the application of the money or the amount asked for, and to place the expenditure of it under the direct control of the Government if they desired it.

22. Lastly, I pointed out that we were an Anglo-Nova Scotian Company, proposing to bring in a large amount of capital from England, to be raised and spent under conditions of control and supervision more stringent than have ever been submitted to in this country; that there was no contractor, or promotion money, that the promoters were content to look solely for any remuneration to the future surplus earnings of the line, and that having shown our bona fides by the expenditure of considerable funds and two years of negotiations, we were entitled to look for some moderate encouragement from the Dominion Government.

23. These proposals were under consideration by the Government for some weeks, but I have now received a letter dated November 30, 1886, from the Minister of Railways, (appendix H) declining to entertain the request for an increase of subsidy, and enquiring how we propose to deal with the claims of the Western Counties Railway Company. I annex a copy of my reply to this letter (appendix K.)

24. The long delay which has occurred in giving any reply to our Memorial of May last, the present refusal to entertain a proposal for which I venture to think a strong case was made out in the memorandum of August 27th (appendix C,) and the general impression left by my interviews with Ministers, together with the apparent preference