

You will observe that the first of these opinions more than bears out the conclusion at which I had arrived, and that this opinion is not altered by the Minute of your Privy Council which I at once referred to them.

I have full confidence in the power of the Canadian Government to replace at any time the sums which have been so employed, under a belief that there could be no doubt as to the propriety of that course. The opinions of the Law Officers and the Treasury, whom I have consulted, show that that belief is not well founded.

With these opinions before them, your Advisers will, I am sure, see that my Despatch was not written hastily or without necessity. And even if they do not concur in the views which I am led to entertain, I hope they will acquiesce in the propriety of avoiding all occasion for cavil by placing the money in the shape of a distinct fund applicable, in its entirety, and at any moment, to the object for which it is destined.

I have, &c.
(signed) *Granville.*

Enclosure 1, in No. 2.

Encl. 1, in No. 2.

My Lord,

Temple, 28 June 1869.

WE are honoured by your commands signified in Sir Frederic Rogers' letter of the 17th instant, stating—

1. That he was directed by your Lordship to request that we would favour your Lordship with our opinion upon the following case.

2. That by the Imperial Act, 30 & 31 Vict. c. 16, the Commissioners of Her Majesty's Treasury were empowered to guarantee payment of interest at a rate not exceeding 4 per cent. per annum, on any principal money not exceeding 3,000,000 *l.* sterling, to be raised by way of loan by the Government of Canada for the purpose of the construction of a railway connecting Quebec and Halifax.

3. That by the 3rd section of the Act, this guarantee was not to be given until certain provisions had been embodied in an Act of the Parliament of Canada, and that he was directed to call our attention to the first of these provisions which related to the "Appropriation," for the purpose of the construction of the railway, of a loan not exceeding 3,000,000 *l.* sterling.

4. That an Act of Parliament of Canada was in due course passed, 31 Vict. c. 13, and that a copy of it was annexed for reference.

5. That it would be seen that the Act was in operation, and that it might be assumed that that Act fulfilled the requirements of the Imperial Act, though it had not received as yet the formal sanction of Her Majesty.

6. That subsequently to the passing of that Act a loan was raised, and the substance of the terms and conditions upon which the loan was raised, and the form of debentures, would be seen from the letter of the 11th July 1868, from Mr. Rose, the Financial Minister to the Treasury, and from the reply thereto of the 15th July, and that copies of those letters were annexed for reference.

7. That from a Minute of the Privy-Council of Canada, approved by the Governor General on 27th August 1868, it appeared that the money raised under the Imperial guarantee for the construction of the railway, was to be temporarily applied to the purpose of defraying certain debts of the Dominion bearing a high rate of interest, and that a copy of such Minute was annexed for reference.

8. That the Minute gave rise to an inquiry in the House of Commons, whether such application was not in contravention of the Canada Railway Loan Act, 1867, and a full report from Mr. Rose, the Financial Minister, which was approved of by the Privy Council of the Dominion, had lately been received in answer to such inquiry, and that a copy of such report was annexed for reference.

9. That under these circumstances our opinion was requested on the following questions:—

1. Whether this appropriation of the proceeds of the loan was in contravention of the Canada Railway Loan Act, 1867, or;

2. Whether in the absence of any special provision as to the custody or investment of the proceeds of the loan until they were wanted for the purpose for which they were raised, the Canadian Government were, or were not, within their legal rights in making this temporary use of the paid-up instalments?

In obedience to your Lordship's commands we have considered the questions submitted to us, and have the honour to report,

That