

of the Colonial Legislature that the Telegraph Company, upon the exercise by the Government of the power conferred upon them to purchase the undertaking should not only retain the lands, &c., granted to the Company, but also be paid a sum for the loss of their monopoly, it may be presumed that a very explicit provision to that effect would have been found in the Act.

7. With reference to the course which the Newfoundland Government should take, if it is decided to proceed in the matter, I am advised that it would be desirable for that Government to follow exactly the directions given in section 15 of the Act, and in the event of the Company neglecting to take any of the steps incumbent on them (*e.g.* to choose an arbitrator) to call in, and the Supreme Court of the Colony to enforce compliance with the statutory requirements.

8. An opportunity would then, perhaps, arise of obtaining a judicial determination as to the rights reserved to the Government by the 15th section.

9. In thus conveying to you the advice which I have received on this subject, I do not lose sight of the reason which has rendered your Ministers reluctant to take steps for exercising the right of pre-emption; the apprehension, namely, that the award might possibly be made on the opposite principle to that which, as I have informed you, I am now advised to be the correct one, and might, consequently, involve the payment of a larger sum of money than Newfoundland could undertake unassisted.

10. Looking to all the circumstances, your Ministers will probably now be of opinion that it is not likely that any excessive sum would become payable; but on this subject it might be of advantage for the Government of Newfoundland to confer with the Dominion Government, and consider whether some terms could be laid down, on which any payment found to be necessary might be apportioned between Canada and Newfoundland.

I have, &c.
(Signed) CARNARVON.
