

should pass laws making the loans which they are to raise a first charge upon the Provincial revenue, after any existing debts and payments on account of the civil lists settled on Her Majesty by laws now in force; and also, that permanent taxes shall be imposed (or taxes to continue in force till the debt shall be extinguished), sufficient to provide for the payment of the interest and sinking fund of the loans proposed to be raised, after discharging the above prior claims. It will further be necessary that the expenditure of the money raised under the guaranty of the Imperial Parliament shall take place under the superintendence of commissioners appointed by Her Majesty's government, and armed with sufficient power to secure the due application of the funds so raised to their intended object. The commissioners so appointed, are not, however, to interfere with the arrangements of the Provincial governments, except for the above purposes.

The right of sending troops, stores, and mails, along the line at reasonable rates, must likewise be secured.

If, on the part of the government of Nova Scotia, you should express your concurrence in the above proposal, Lord Grey will immediately direct the Governor General of the British North American Provinces to communicate with the Lieutenant Governors of New Brunswick and Nova Scotia, who will also be directed to bring the subject under the consideration of their respective Executive Councils, in order that, if they should be prepared to join in carrying the undertaking into effect on the terms proposed, the details of the arrangement between the Provinces may be settled, and the sanction of the Legislatures obtained for the plan; so that it may, with as little delay as possible, be submitted for the approval of Parliament.

Before, however, the proposed measure can be so submitted to Parliament, it is proper to observe that there are some other questions affecting the pecuniary relations between the mother country and the Colonies which will require to be considered; but as these questions have little, if any, reference to Nova Scotia, it is not necessary that they should be further adverted to in this letter.

I am directed to add, that Lord Grey thinks it unnecessary that any measures should be taken by Her Majesty's government to encourage the establishment of steam vessels for the accommodation of emigrants of the humbler class, which is one of the subjects to which you have called his attention.

If there should be a demand for such vessels, Lord Grey has no doubt that they will speedily be supplied by private enterprise; indeed, he has been informed that ships of large size, intended for the conveyance of emigrants, and furnished with auxiliary steam power, are already building both in this country and in America; and if, by undertaking the projected railway, a demand for labor is created in the British Provinces, and a large extent of fertile land is opened for the occupation of settlers, these circumstances cannot fail to lead to an extension and improvement of the means now afforded for the conveyance of emigrants to these Provinces.

Lastly, with reference to the suggestion contained in your letter that convicts might be employed in the construction of the railway, I am to