

proposed; it was not suggested that the Loan was premature or needlessly large, nor did they on any occasion express any wish whatever to participate in controlling or managing the appropriation of the moneys in the interval. That duty had beyond all question been delegated to Canada alone.

If Her Majesty's Government had evinced a confidence in Canada more limited than Parliament had reposed, or, by seeking to interpose a joint control, had exhibited a distrust either of the credit of Canada or of its good faith in expending the money on the works as rapidly as they could be pushed forward, the duty of your Excellency's advisers would have been plain; they could not have accepted the guarantee on these terms.

But no such distrust was ever suggested, nor the faintest wish expressed on the part of Her Majesty's Government, to direct the temporary administration of the money.

If any suggestions in the spirit of extending co-operation or advice, as to providing temporary employment for the instalments had been made on the part of Her Majesty's Government, they would then, as now, have received fitting appreciation.

The Privy Council cannot but regret that after arrangements conducted in this spirit have been completed, and after the entire responsibility of managing the funds has been thrown on Canada, your Excellency should now, for the first time, be called upon to interpose your authority for the purpose of refusing your concurrence in the mode of dealing with the money, which the Canadian Government have deemed it expedient to adopt.

Your Excellency's advisers have throughout these negotiations been perfectly unreserved with her Majesty's Government, and have, besides, taken the promptest and most energetic steps to further the prosecution of the work.

It is unnecessary to repeat the circumstances attending the contemplated temporary investment of a portion of the money, or the extreme precautions which the Minister of Finance took to provide for its immediate return, in case it was deemed advantageous to invest any portion of it in the securities of the Dominion.

These precautions were dictated by a desire to provide for contingencies, which, though within the range of possibility, were not reasonably to be anticipated, and to guard against any possible loss to Canada, in replacing the money, should circumstances make it more for her interest to use for a time a portion of the receipts of the Intercolonial Loan, lying unproductive and idle, rather than have recourse to the other means which were always available, and which Canada has always at command to meet any temporary drafts on the Treasury.

In compliance with your Excellency's wishes, the Privy Council have caused a statement to be made showing the extent to which that portion of the Intercolonial Loan guaranteed by Her Majesty's Government may be considered to have been drawn on.

It is proper to state that all the receipts from Loans and from other sources, go into the ordinary cash balances in the hands of the bankers and fiscal agents of the Dominion, out of which all calls are met, and it cannot therefore be said, in strictness, that any portion of such balances has been specifically used for one purpose or another.

In former statements it has been assumed that the Intercolonial money would be available for the payment of a certain part of the debt since redeemed without reducing the ordinary bank balances at all. In the statement now transmitted to your Excellency, the Intercolonial payments are included in the bank balances, and these balances are regarded as available for the Intercolonial Fund so guaranteed.

Keeping this explanation in view, it will be perceived, that after deducting the expenditure on the road since Confederation, the India Bonds and other investments, and the cash balances, at no time since the Loan was contracted has the amount raised on the Imperial guarantee been really drawn upon; and it was only during the first few weeks, when the proceeds of the Loan, as paid in to the fiscal agents more than covered the amount by which they were in advance to Canada, and before the instructions for other investments could be carried out, that this has even apparently been the case.

If, as formerly stated, certain redemptions of the Public Debt were considered as being made out of a portion of the Intercolonial payments, the Bank balances became correspondingly larger than if these redemptions had been met out of ordinary funds. But if a close examination is made into the state of the banking accounts, the very important fact is disclosed that the ordinary Bank balances, wholly irrespective of that portion of the Intercolonial money raised on the Imperial guarantee, have at every date (except during a portion of the quarter ending 30th September 1868, when there was a small difference of 339,000 dollars, or 69,657*l.* sterling) *been more than adequate to meet the redemptions and all other payments whatever, without using one shilling of the guaranteed Intercolonial money.* In other words, the Government have always, except at that one date, and by that limited sum, had at call in their banker's hands more than the amount of the loan raised on the Imperial guarantee; and it may be literally said that, except as to the sum of 69,657*l.* sterling, no part of the guaranteed loan has ever been used. That sum was almost immediately replaced by further incomings of ordinary revenue.

It is true that, in this view, the possession of the Intercolonial money permitted the Government to allow their bank balances to run lower than they would otherwise have done, but it is equally true that the bank credits at the disposal of the Government were more than ample to have met any possible demand without relying on the Intercolonial money even as an available reserve.

The annexed Statement (No. 3), prepared by the Auditor, the Deputy Inspector General, and the Deputy Receiver General, shows that in the quarter ending 30th September 1868, the