

I believe that without completing the Western section it will be generally used and be productive stock, but the continuation will give it so decided an advantage in every respect, that if its cost were five times as much as is estimated, I would as a Stockholder deeply interested in its success, be an advocate for the expenditure to accomplish so desirable an object.

It is said that £25,000 will be sufficient. I have long since avoided placing confidence in estimates for works of this description. It is well to look at them, they may afford some ground for conjecture. But suppose the cost should be double, say £50,000 including the necessary improvement of a harbor. Still every prudent consideration of advantage would require its being done. Without any further examination of this branch of the subject, soliciting your attention to the conclusive proofs relative to it, that have been repeatedly furnished, and which I forbear to exhibit in detail because they are familiar to your minds, I think it is manifestly the decided interest of the Province to have the whole work finished, and to furnish the means that may be required. There are two modes in which this may be done, either by loaning to the Company the necessary specific sum required, leaving their present debts as they are, or changing the whole pecuniary situation of the Company in relation to its creditors. The Canal has now cost £300,000. Of this £200,000 is subscribed stock £50,000 of which is owned by this Province and £25,000 by the province of Lower Canada. The loan from this Province £50,000. The security for this money is postponed to the lien of £50,000 Sterling held by the Imperial Government. Should it become necessary for the safety of its funds, this Province must ultimately provide for liquidating the debt due to the Imperial Government; that increases the interest of the Province to more than half its cost. In this state of things the means can be furnished by the Province to pay the debt of the Company to the Imperial Government and finish the Western section of the Canal too, without incurring any hazard. The present colonial debt is direct with the creditors of the Colony. The Canal is not known in it. In some of the United States a different course has been adopted. Whenever aid has been given to private enterprise engaged in a work promising to be of public utility, the state has either subscribed to the stock or loaned its credit to the Company taking security upon their property; the Company providing for the payment of interest and principal.

The State of New York loaned the credit of the State to the Hudson and Delaware Canal Company for \$300,000, a Canal possessing no advantages that can be compared to the Welland Canal. Their pecuniary situation was similar to that of the Welland Canal Company, some progress had been made in their work, the expenses had exceeded the estimates and the whole amount of subscribed stock was expended. In this situation the State of New York passed an act loaning its credit by the issue of debentures payable to that Company for \$500,000 bearing an interest of five per cent. per annum payable in twenty years—granting the Company permission to purchase said debentures within the said time, have them cancelled, and credited to said Company in sums not less than \$5000 at any one time.

By the last message of the Governor of that State, it appears that the Company have already given satisfactory evidence that this aid has been so useful and efficient as to enable them with ease to fulfil their engagement with the State. The State of Louisiana has also adopted the same plan and issued its debentures in sums of \$1000 each for \$1,000,000, to an agricultural association, who have assigned or endorsed the same in blank. This latter loan is payable in London, and is held by capitalists there.

This mode of aiding possesses greater advantages than any other. The property of the Company forms the pledge in the hands of the Government to redeem the debt and prevents the necessity of creating any other.—The Capitalist feels an assurance of great punctuality in the payment, interest and principal, in consequence of holding the double responsibility of the Government and the provided fund of the Company, which cannot be diverted from its proper channel. If it shall be thought prudent to adopt this plan with regard to the Welland Canal Company, the whole arrangement would easily be made at a reasonable rate of interest. The present debt of the Province is payable at a short day. Suppose a law should be passed loaning the credit of the Province to the Welland Canal Company for £200,000 in debentures of £200 each bearing an interest of five per cent. per annum payable semi-annually and the principal in 25 years in London—with permission to pay in these same debentures at any time within or at the expiration of that period in sums not less than two thousand pounds at any one time and have such payment credited to said Company until the whole debt for which the Provincial credit shall be so loaned shall be paid. The effect of this would be, that all attention to provide for the payment of this debt would be transferred to the Company, and much would be saved to them in their direct negotiations.

The £50,000 Sterling to the Imperial Government would be paid and their lien on the Canal removed; and it is not unreasonable to assume the position, that the payment of the one-ninth of the cost of the Canal promised by the dispatch of Lord Bathurst in 1826, and withheld in consequence of the loan of £50,000 most on the re-payment of that loan be paid to the Company. All the transactions in relation to the Canal would be now immediately connected with the Colonial Government solely. The whole of this sum might not be required by the Company; but in order to place it on a footing to command the transportation through the Canal of all the produce of the Upper Lakes, and to render the passage into and through it from the different quarters where it may be profitable, perfectly easy, will require an expenditure that has not been estimated. By this arrangement, provision will be made to furnish the Company with such funds as they may require, and no loss will be incurred on the debentures they shall not find it necessary to use. Whenever the Company discover that they will not be needed, they may then be returned in the way I have named and credited upon the debt. Much inconvenience has been experienced by the precarious manner in which the funds for operations in progress have necessarily been provided.

It is a fact well known and well understood in the commercial world, that borrowers must pay an interest not in proportion to their actual property responsibility but in proportion to their wants, their estimated responsibility and punctuality, and that estimation is often made by the persons most interested in depressing it and yet most assured of its safety. By such an arrangement all hope of speculation on that ground will be ended. The responsibility will have a shape the most acceptable to the capitalist, and the confidence in the company will enable them to enforce their contracts more advantageously than they have hitherto had it in their power to do.

There will be some advantage with regard to the finances of the Province. The idea of its being a debt of the Province is removed, and provision is made for its payment by the company. It is distinct from and disconnected with other provincial operations.

With the greatest respect,

I am, Sir,

Your Obedient Servant,

J. B. YATES.