

that it would be absolutely necessary under these altered conditions that new tenders should be called for. When I drew his attention to the fact that a precedent had been established by Mr. Goschen, as Chancellor of the Exchequer, who, in granting a subsidy to the Canadian Pacific Railway Company at the request of the Canadian Government, had not considered it necessary that tenders should be asked, he replied that that was an entirely different case, and that the grant of a subsidy to a great corporation like the Canadian Pacific Railway Company, so vitally interested in and necessary to the success of the undertaking took the question out of the usual category altogether. He also intimated that if this application were of the same character it would not be necessary to invite tenders, Finding that he was fixed upon this point I did not think it judicious to press it further.

In reply to my inquiry as to the mode of inviting tenders, Mr. Chamberlain agreed with me in the opinion that the character of the service would be clearly stated and tenderers invited to state the amount of subsidy for which they would be willing to undertake it, Canada and Her Majesty's Government providing the subsidy in relative proportions of £150,000 and £75,000.

Mr. Huddart was of course greatly disappointed when I told him of the conclusion at which Mr. Chamberlain had arrived in reference to inviting new tenders. I pointed out to him, however, that he would be in a position to secure the co-operation of capitalists and ship-building firms upon the basis of a subsidy of £225,000 per annum, and that I had no reason to think that for a service based upon the standard of the "Teutonic" and "Majestic", anyone was likely to underbid him.

I may mention that Mr. Chamberlain stated that

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