

blocks along the line, and of a subsidy of \$30,000,000 (say £6,000,000 sterling). Of this sum, the interest of £2,250,000, which, by the transference of the fortification loan to the same account, became eventually £3,800,000, was guaranteed by the Imperial Government.

The Session closed on the 14th June. Parliament was dissolved on the 8th July. On the 25th June I arrived in this country, and became personally cognizant of many of the events I now proceed to record.

From the 15th of July to the 12th of October the elections were being held. As soon as they were concluded, Sir *John Macdonald* returned to Ottawa, and the Canadian Pacific Railway became a frequent topic of conversation between us. My Government never seem to have favoured the idea of giving the contract to either of the rival companies, who were then competing for the preference. In Senator *Macpherson's* company an Ontario interest was very strongly represented. In Sir *Hugh Allan's* a Quebec interest predominated. The contemplated undertaking would evidently tax the resources of the country to the utmost. It would be undesirable, therefore, Sir *John* argued, that any Canadians desirous of putting their shoulders to the wheel should be excluded, and a fusion of the two Companies—as provided for in their incorporation acts, and contemplated by the Act of Parliament—was the object to be attained. Into the intricate and somewhat obscure negotiations which then ensued between Mr. *Macpherson* and Sir *Hugh Allan*, at the instance of my Government, I need not enter. They are sufficiently No. 2. displayed in the Blue Book which I subjoin, and which I have marked for reference. It suffices to say that, notwithstanding Sir *John Macdonald's* efforts to bring the parties to an understanding, the negotiation altogether failed, principally, as it was alleged on the one side, because Sir *Hugh Allan* had not really broken off his connection with the American interest, and on the other, because Mr. *Macpherson* was not willing to recognize the claims to the chairmanship of Sir *H. Allan*, whose pretensions my Government were disposed to favour, in consideration, as they stated, not only of his influential position in the province of Quebec, but as having been the first Canadian in the field to associate himself with the enterprise.

In reference to this point, I may observe that, although I have no means of knowing either when or to what extent my Ministers may have pledged themselves to favour Sir *Hugh Allan's* election to the chairmanship, the selection of such a person, the originator of the Oceanic line of communication between Great Britain and Canada, a gentleman who might fairly be regarded as the representative capitalist of the Dominion, and who would be more likely than any other to make an impression upon the English money market, was a choice which, at that time, few seemed disposed to question.

Baffled in their efforts to effect the amalgamation they desired, Sir *John Macdonald* and his colleagues announced their intention of promoting the formation of a new and independent Company, out of whatever elements of strength were to be found throughout the Dominion, and shortly before the meeting of the new Parliament in March, a Board of Directors was constituted, which included not only some of the leading promoters of the two defunct companies, but representative men from each of the Provinces of the Dominion. Of this Board, Sir *Hugh Allan* seems to have been elected Chairman as a matter of course, and to the company it represented the Charter was eventually issued.

In previous despatches I have already described to Your Lordship the precautions which were taken to prevent any American interest or foreign capital ever obtaining control over the concern. I am not sufficiently conversant with railway financing to assert, on my own authority, that the restrictions introduced into the Charter, with this view are sufficient for their purpose. Money, like water, has a very narrow shoulder, and will find its way wherever it is likely to fructify,—but as far as I can judge, every reasonable precaution seems to have been taken. All the Directors must be British subjects. The President and the majority of the Directors must reside in Canada, and though the shares are transferable, no transfer can be made for the first six