

and perhaps excused, in going over to some extent, explanations which I have given before, because repeated explanations in connection with this subject, I think, will be of public benefit, and will relieve the Department of a very great deal of correspondence. I say one of the difficulties between Ontario and Quebec is in connection with the Upper Canada Improvement Fund upon Crown Lands. There is no difference as regards the Common School Fund; that has been settled and municipalities paid, but in regard to the Land Improvement Fund on Crown lands, Quebec disputes the liability of the late Province of Canada. The position taken by Ontario is in possession of the House, through correspondence that has been published in connection with that matter. I need not go into the history of it, but I merely may premise that the fund was created by Order in Council in 1853, which provided that one-fourth of School lands and one-fifth of Crown Lands should be set apart as an Improvement Fund for the construction of roads, bridges, and local works, in counties and municipalities in which the lands were situated. These lands were sold under that regulation. The purchasers purchased under the idea that they would have the benefit of a portion of the money they paid for the land for opening up the country and the roads surrounding these lands. Payments were made to the municipalities from 1853 to 1861 by the old Province of Canada on account of this fund until, in 1861, an Order in Council was passed discontinuing them. Our contention is, that that Order in Council, although it put an end to the fund so far as future sales were concerned, had not put an end to the fund so far as sales that had already taken place were concerned, and that all collections on account of sales made prior to 1861, had to be treated as a trust fund for the benefit of the municipalities to the extent of the one-quarter and one-fifth set apart for these improvements. That is our position. At the time of the arbitration the Finance Department submitted to the arbitrators a statement shewing three items in connection with the Upper Canada Land Improvement Fund. First, the balance of \$5,119.08 unexpended, ——— collected and admitted to be unexpended; second, one-fourth of the Common School Fund, \$124,685.18, and third, one-fifth of the Crown Lands sold during the same period, and not paid to the municipalities, \$101,771.68, or in all, \$231,575.94. Now, Ontario contends, as I said before, that these lands were sold subject to this trust, and while, as I say, the rescinded Order in Council relieves the lands *afterwards* sold, it