

## No 6.

*The Earl of Dufferin to the Earl of Kimberley.—(Received October 2.)*

My Lord,

*Citadel, Quebec, September 20, 1872.*

WITH reference to previous correspondence which has taken place before my arrival in this country on the subject of an Imperial guarantee for a Canadian loan for the construction of a railway to the Pacific Ocean, and the enlargement of the Canals of the Dominion, I have the honour to inclose a minute of the Privy Council which states that the time has arrived when it is expedient to invite the consideration of Her Majesty's Government to this question, and as Sir George E. Cartier is thoroughly conversant with the whole subject and is about to proceed to England for his health, that it is desirable he should be specially charged with submitting to your Lordship the views of the Canadian Government in the matter.

I have, &c.

(Signed) DUFFERIN.

Inclosure in No. 6.

*Report of a Committee of the Honourable the Privy Council, approved by his Excellency the Governor-General on the 17th September, 1872.*

THE Committee have had under consideration a memorandum dated 14th September, 1872, from the Honourable the Minister of Finance, reporting that, in his opinion, the time has arrived when it is expedient to invite the consideration of Her Majesty's Government to the correspondence which took place in connection with the Treaty of Washington on the subject of an Imperial Guarantee for a Canadian Loan for the construction of a railroad to the Pacific Ocean, and the enlargement of the Canadian canals.

The Minister submits that it is important that the Canadian Government should know as early as possible what they have to expect, and as the Minister of Militia and Defence—who is thoroughly acquainted with the past negotiations on the subject of fortifications—has been advised to proceed to England on account of his health, it seems desirable that he should be specially charged with bringing the whole subject under the consideration of Her Majesty's Government. The Minister of Finance recapitulates the facts of the case as follows:—

On reference to the Minute of the Privy Council of Canada of 20th January, 1872, it will, he states, be found that a proposal was made that a guarantee to the extent of 4,000,000*l.* should be extended to Canada.

That in the Earl of Kimberley's despatch dated 18th March, 1872, in reply, his Lordship offered a guarantee of 2,500,000*l.*, which was accepted by the Government of Canada, as will appear by reference to the Minute of Council of 15th April, 1872, transmitted in Lord Lisgar's despatch of same date.

That no reference was made in the foregoing Minutes to the subsisting guarantee of 1,100,000*l.* sterling, for fortifications in Canada, and the pledge on the part of Her Majesty's Government to be at the cost of the armaments.

That, in asking for a guarantee of 4,000,000*l.* originally, it was anticipated that the Imperial Government would object to give so large an amount, and it was contemplated that the result of the negotiations would be the transference from military objects to public works of the amount already guaranteed, with a fair equivalent for the armaments.

That, unfortunately, at the very time when the correspondence was in the course of taking place, the misunderstanding between Her Majesty's Government and that of the United States on the subject of the indirect claims occurred, and it became undesirable to raise any question regarding the abandonment of the fortifications.

That, as all these difficulties have now been happily settled, it seems most desirable to consider the expediency of abandoning, for the present, the erection of fortifications.

That, if such defensive works should hereafter be required, Canada would not shrink from the responsibility of undertaking them.

That the Imperial Parliament would hardly object to the mere transference of a loan already agreed to from military works to great public improvements, and the difference between that loan, 1,100,000*l.*, and the 1,500,000*l.* now asked to supple-