

my despatch of the 16th August for the settlement of the controversy between Canada and British Columbia respecting the Pacific Railway. I subsequently again saw Mr. Walkem, and at his request I have delayed the announcement of the terms which, in my opinion, may properly be laid down as fair and reasonable, until the receipt of a further written communication from him, which has now reached me, and a copy of which I inclose.

The statements thus placed before me are so clear and complete as to assist me materially in appreciating the position in which the question now stands, and in judging without hesitation what modification of the original terms should be adopted. And I would here express my satisfaction at the temperate and forbearing manner in which points involving most important consequences have been argued on both sides, and the pleasure which I feel in being able to think that asperity of feeling or language may have been, in some degree, avoided through the opportunity of submitting the whole case to the independent judgment of one who may at least claim to have the interests of both parties equally at heart.

I explained very fully in my despatch of the 16th August the opinion which I entertained on each of the principal questions at issue, and I need now add but little to the simple statement of my decision. That decision is necessarily, as both parties are aware, in the nature of a compromise, and as such it may perhaps fall short of giving complete satisfaction to either. If, on the one hand, your Ministers, as you inform me, consent with reluctance to the further concessions which at an earlier stage I suggested, they will not, on the other hand, fail to bear in mind that even after those concessions are made British Columbia will receive considerably less than was promised to her as the condition of entering the Dominion. I prefer rather to reflect that under the amended terms now to be established, British Columbia will, after all, receive very great and substantial advantages from its union with Canada, while the Dominion will be relieved of a considerable part of those obligations which were assumed in the first instance without a sufficient knowledge of the local conditions under which so enormous and difficult an undertaking was to be carried into effect, and to fulfil which would seriously embarrass the resources of even so prosperous a country as Canada.

Adhering then to the same order in which, on the 16th August, I stated the principal points on which it appeared to me that a better understanding should be defined, I now proceed to announce the conclusions at which I have arrived. They are:—

1. That the railway from Esquimalt to Nanaimo shall be commenced as soon as possible, and completed with all practicable despatch.

2. That the surveys on the main land shall be pushed on with the utmost vigour. On this point, after considering the representations of your Ministers, I feel that I have no alternative but to rely, as I do most fully and readily, upon their assurances that no legitimate effort or expense will be spared, first to determine the best route for the line, and, secondly, to proceed with the details of the engineering work. It would be distasteful to me, if indeed it were not impossible, to prescribe strictly any minimum of time or expenditure with regard to work of so uncertain a nature; but, happily, it is equally impossible for me to doubt that your Government will loyally do its best in every way to accelerate the completion of a duty left freely to its sense of honour and justice.

3. That the waggon road and telegraph line shall be immediately constructed. There seems here to be some difference of opinion as to the special value to the Province of the undertaking to complete these two works; but after considering what has been said, I am of opinion that they should both be proceeded with at once, as indeed is suggested by your Ministers.

4. That 2,000,000 dollars a-year, and not 1,500,000 dollars, shall be the minimum expenditure on railway works within the Province from the date at which the surveys are sufficiently completed to enable that amount to be expended on construction. In naming this amount I understand that, it being alike the interest and the wish of the Dominion Government to urge on with all speed the completion of the works now to be undertaken, the annual expenditure will be as much in excess of the minimum of 2,000,000 dollars as in any year may be found practicable.

5. Lastly, that on or before the 31st December, 1890, the railway shall be completed and open for traffic from the Pacific seaboard to a point at the western end of Lake Superior, at which it will fall into connection with existing lines of railway through a portion of the United States, and also with the navigation on Canadian waters. To proceed at present with the remainder of the railway