

## Enclosure in No. 2.

COPY of a MINUTE of the Queen's Privy Council for Canada, adopted 18 June 1869.

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May it please Your Excellency,

THE Privy Council have had under consideration the Despatch of the Secretary of State for the Colonies, under date of the 1st June, on the subject of the Intercolonial Railway Loan, which was referred to them by your Excellency, and have now the honour to report as follows:—

The Secretary of State wishes to learn from your Excellency to what extent the Loan has been employed under the authority of the Minute of Council of the 27th August last, and conveys his instructions to refuse concurrence in any mode of dealing with the money other than that of investments, properly so called; and he desires to receive from the Minister of Finance any observations respecting the Minute in question which he may consider calculated to remove the strong objections which in the opinion of the Secretary of State at first sight attach to it.

Your Excellency's Advisers, while they will most readily afford the amplest information on the subject of the Loan, and respecting the manner in which it has been dealt with, would desire at the outset to say that they are all equally responsible with the Minister of Finance for the arrangements, as well touching the Loan as for the subsequent employment of any part of the moneys; that they participated in recommending to your Excellency's predecessor the course which was taken with reference to it, and they cannot recognise the principle of permitting one of your Advisers to be charged with a special measure of responsibility, or to be individually called on to account for acts which they collectively approved.

On the subject of the alleged temporary application of the money to the purpose of defraying the general debts of the Dominion, your Excellency's Advisers would say that the facts are so fully set forth in the Minute of Council approved of by your Excellency on the 29th May last, that it would be superfluous to repeat them here. They cannot but believe that the explanations given in that Minute will be satisfactory to Her Majesty's Government, and that the Despatch now under review was written without a full cognizance of all the circumstances connected with the proposed possible temporary investment of a portion of the money.

It may not be unadvisable, however, again to call attention to the fact, that the Intercolonial Loan Act provided that Canada, and not the Imperial Government, should raise the Loan; that the duty of determining the mode in which the road should be constructed devolved wholly on Canada; that she has accordingly provided, with the sanction of the Imperial Government, that the work shall be done by a Commission appointed by Canada, and responsible only to the Government and Parliament of Canada.

It is further required that Canada shall provide for the raising, appropriation, and expenditure of the money; and by the Act of the Canadian Parliament, it is provided that payment for the works shall be made by the Receiver General to the Commissioners, in such way as the Governor in Council may direct.

The only reservations which Her Majesty's Government would appear to have considered it necessary to make in the Intercolonial Railway Act, were, that the interest on the guaranteed portion of the Loan should be a charge on the Consolidated Revenue of Canada in a specified order; that provision should be made for a sinking fund, which might be invested in securities either of the Province of Canada, Nova Scotia, or New Brunswick, issued before the Union.

The whole scope of the legislation, as well of the Imperial as of the Dominion Parliament, shows that it was intended to impose on Canada the entire responsibility of raising and managing the Loan for constructing the road. In this essential feature it is in direct variance with the former guaranteed Loan of 1842, which was raised not by Canada but by the Imperial Government itself, and managed by it; whereas in the present case, the Imperial Parliament would appear to have purposely dissociated Her Majesty's Government from all connection either with the work itself, the raising of the loan, or the management of the fund. So implicit indeed would the confidence in Canada appear to have been, that it was provided that the sinking fund might be invested in the securities of the Dominion, thus practically accepting the credit of Canada as the sole security, not only for the construction of the work, but for the ultimate repayment of the money.

The negotiations attending the Loan in July last were conducted obviously in the spirit of this legislation. Her Majesty's Government wished only to reserve their approval of the route before endorsing the bonds.

It was thought proper, however, that the proposed terms of the Loan should, in the minutest particulars, be communicated to Her Majesty's Government, exhibiting the amount proposed to be raised, the mode and time of paying the instalments, and even the form of bonds to be issued. It was at that time perfectly apparent that the moiety of the Loan which was then raised would not all be required for a considerable interval of time, inasmuch as the sanction of Her Majesty's Government had only then been given to the route; until which sanction no contracts could be entered into, or outlay incurred.

The Privy Council would invite attention to the fact that although every detail was in possession of Her Majesty's Government, no objection whatever was made to the terms so