

"Second decade (say 1873 to 1882 inclusive), a sinking fund of 40,000 *l.* to be remitted annually, being an amount adequate, if invested at 5 per cent. compound interest, to provide 500,000 *l.* at the end of the decade; the sum to be remitted annually to be invested, in the names of trustees, in colonial securities of any of the three Provinces prior to or forming part of the loan to be raised, or in such other colonial securities as Her Majesty's Government shall direct, and the then Colonial Governments approve.

"Third decade (say 1883 to 1892 inclusive), a sinking fund of 80,000 *l.* to be remitted annually, being an amount adequate, if invested at 5 per cent. compound interest, to provide 1,000,000 *l.* at the end of the decade; the amount when remitted to be invested, as in the case of the sinking fund for the preceding decade.

"Fourth decade (say 1893 to 1902 inclusive), a sinking fund of 100,000 *l.* to be remitted annually, being an amount adequate, if invested at 5 per cent. compound interest, to provide 1,250,000 *l.*, being the balance of the loan at the end of the decade. This amount, when remitted, to be invested as in the preceding decade.

"Should the sinking fund of any decade produce a surplus, it will go to the credit of the next decade; and in the last decade the sinking fund will be remitted or reduced accordingly.

"It is of course understood that the assent of the Treasury to these arrangements presupposes adequate proof of the sufficiency of the Colonial revenues to meet the charges intended to be imposed upon them.

"6. The construction of the railway to be conducted by five Commissioners, two to be appointed by Canada, one by Nova Scotia, and one by New Brunswick; these four to choose the remaining Commissioner.

"7. The preliminary surveys to be effected, at the expense of the colonists, by three engineers and other officers nominated, two by the Commissioners and one by the Home Government.

"8. Fitting provision to be made for carriage of troops, &c.

"9. Parliament not to be asked for this guarantee until the line and surveys shall have been submitted to and approved of by Her Majesty's Government, and until it shall have been shown to the satisfaction of Her Majesty's Government that the line can be constructed without further application for an Imperial guarantee."

This memorandum was communicated to the delegates, and with a subsequent explanation from the Treasury* on two points raised by the Delegate from New Brunswick (Mr. Tilley), was accepted by the Governments of Nova Scotia and New Brunswick, and Acts were duly passed by the Legislatures for carrying out the scheme. The Canadian Delegates (Messrs. Sicotte & Howland), however, objected to various conditions in the proposals of Her Majesty's Government,† that relating to the sinking fund, and others; and in a Minute
of

House of Commons,
530 of 1864,
page 33.

Ibid., page 27.

Ibid., page 16.

House of Commons,
530 of 1864,
page 26.

* With reference to the two questions raised by Mr. Tilley upon the stipulations embodied in the Memorandum relating to the proposed loan for the construction of an Intercolonial Railway, the Treasury considers that an answer should be sent to the following effect:—

1. Her Majesty's Government never contemplated acquiring a precedence over existing engagements of the Colonial Governments, whether for interest or principal; but the assent of the Treasury to the arrangement, as stated in Article 5, presupposes adequate proof of the sufficiency of the Colonial revenues to meet the charges imposed upon them, which charges would comprise not only the Civil List, and the accruing interest of any existing debt standing in priority to the proposed railway loan, but also any payment of principal standing in the same priority, which may fall due within the period at the expiration of which the railway loan is required to be fully liquidated, as well as the current interest and the decennial accumulation for extinction of principal, of the proposed railway loan.

No statement of revenue or liabilities which would afford this evidence has as yet been exhibited to Her Majesty's Government.

2. In the event of the proposed arrangement being carried into effect, the Treasury will not object to issue the debentures, upon the precedent of the Canada Guaranteed Loan of 1843, under the hand of the Lords Commissioners, and to authorise one of their officers to act as trustee, together with a nominee of the Colony, for the investment in their joint names of the instalments remitted from time to time on account of sinking fund, provided such a course shall be deemed advisable by the Colonial Governments.

† Inclosed in the above letter from Messrs. Sicotte & Howland was a copy of the Treasury Memorandum and Schedule, but with the addition of the following note by themselves:—

It is proposed by the Delegates—

1. That the loan shall be for 3,000,000 *l.* sterling.

Ibid., page 24.