

5. The Colonial Governments within their respective limits, or the Imperial Government in any part of the line, may at any time take temporary possession of the telegraph line, in case the public interest requires it, on payment of a rate of compensation to be hereafter agreed, and Government messages shall at all times, when demanded, have priority over all others.

6. The Home Government, with the consent of the parties, will introduce into Parliament such measures as may be requisite to give effect to this proposal.

7. The telegraph and works, and the servants and agents of the Company, shall be considered as under the protection of the Crown and of the Colonial Governments as fully as if in the settled districts of British North America.

8. The Company and its works shall be exempt from all taxation for a period of thirty years.

9. Any further matters of detail or questions of difference requiring discussion to be remitted to the sole decision of His Grace the Duke of Newcastle, Her Majesty's Principal Secretary of State for the Colonies.

No. 18.

Downing Street,
1st May, 1863.

SIR,

I am directed by the Duke of Newcastle to state that he has had much satisfaction in receiving your letter of the 23th ultimo, enclosing the heads of a proposal for establishing telegraph and postal communication between Lake Superior and New Westminster, through the agency of the Atlantic and Pacific Transit and Telegraph Company. These proposals call for some observations from his Grace.

New Westminster is named as the Pacific Terminus of the road and telegraph. His Grace takes for granted that if the Imperial Government and that of British Columbia should find on further enquiry that some other point on the coast would supply a more convenient terminus, the Company would be ready to adopt it.

Article 1.—His Grace sees no objection to the grant of land contemplated in this Article, but the "rights" stipulated for are so indeterminate that without further explanation they could scarcely be promised in the shape in which they are asked. He anticipates, however, no practical difficulty on this head.

Nos. 1 and 2.—The Duke of Newcastle, on the part of British Columbia and Vancouver Island, sees no objection to the maximum rate of guarantee proposed by the Company, provided that the liability of the Colonies is clearly limited to £12,500 per annum. Nor does he think it unfair that the Government guarantee should cover periods of temporary interruption from causes of an exceptional character, and over which the Company has no control.

But he thinks it indispensable that the colonies should be sufficiently secured against having to pay for any lengthened period an annual sum of £12,500, without receiving the corresponding benefit—that is to say, the benefit of direct telegraphic communication between the seat of Government in Canada and the coast of the Pacific.

It must therefore be understood that the commencement of the undertaking must depend on the willingness of the Canadian Government and Legislature to complete telegraphic communication from the seat of Government to the point on Lake Superior at which the Company will take it up. Nor could his Grace strongly urge on the colonies of Vancouver Island and British Columbia the large annual guarantee which this project contemplates, unless there were good reason to expect that the kindred enterprise of connecting Halifax and Montreal