

two years the Province of Canada should not assent and legislate, then that their own legislation should be considered void ; therefore their legislation of 1863 will be void in the year 1865.

Unfortunately Canada has not yet made any practical step in advance in the way of legislation, nor is there any great likelihood that the Canadian Parliament, in the Session about to commence, will carry through the needful measures.

Under these circumstances, the Provinces of Nova Scotia and New Brunswick were anxious that Her Majesty's Government should permit the Imperial Guarantee to operate as regards the capital required to be expended on the first link of the railway, viz., that between Truro and "the Bend," but on consulting his Grace the Duke of Newcastle, at the request of Members of the Government of the two Provinces, I find him indisposed to recommend a compliance with the wishes so expressed.

As matters stand, the Parliaments of Nova Scotia and New Brunswick will, in the coming Session, be urged to devote, in other directions, the capital to be set apart for the construction of the Intercolonial.

As regards Nova Scotia, a strong effort will be made to extend their existing railway system, for local purposes, to Pictou; and more than that, both Nova Scotia and New Brunswick are, at this moment, appealed to to join with parties in the State of Maine, in connecting their respective railway systems with the railway system of the United States.

And as the latter proposal involves a much smaller cost and length of railway to construct than the Intercolonial, and as it will give for New Brunswick a short route into districts with which they have a very considerable trade, such a proposal finds many and ardent supporters.

Under these circumstances, I have suggested to his Grace the Duke of Newcastle, in accordance with what I believe to be the wishes of those in the Lower Provinces, who are anxious still for the realization of the Intercolonial project, that Her Majesty's Treasury should protect these two Provinces from damage, in the event of their taking action in the right direction, and not waiting for Canada.

Provided they can be induced to construct, without delay, and out of their own funds, the first link in the Intercolonial system above alluded to, which I consider will cost about 800,000 £ sterling, will Her Majesty's Treasury consent that, in the event of the complete construction of the Intercolonial Railway, under the approval of Her Majesty's Government, the fair rateable proportion of capital attributable to this first link shall be then included in the guarantee?

It might be distinctly understood, that some reasonable limit of time should be fixed by Her Majesty's Government, and also that the whole arrangement is still contingent upon Imperial Legislation, that no present guarantee is required, and that no guarantee or liability can accrue unless the whole scheme be carried out under the approval of the Treasury, and the confirmation of Parliament.

I have, &c.
(signed) *Edwin W. Watkin.*

G. A. Hamilton, Esq.,
Secretary, Treasury, Whitehall.

Enclosure 3, in No. 13.

Sir,

Downing-street, 19 March 1864. Encl. 3, in No. 13.

The Duke of Newcastle desires me to inform you that he has received from the Lords of the Treasury a copy of your letter of the 15th of February, contemplating the construction, by New Brunswick and Nova Scotia, of the first link of the Intercolonial Railway between Truro and the Bend, and suggesting that the line so constructed should be held to be part of the larger scheme contemplated in the laws recently passed by those two Provinces, and by the memoranda of December 1862 and January 1864, recited in those laws.

I am directed by his Grace to inform you in reply that if the Lower Provinces shall at their own expense commence the construction of a Railway on a line approved by Her Majesty's Government between Truro and the Bend, and if subsequently the proposed loan of 3,000,000 £ shall be raised under the Imperial Guarantee in virtue of the offer contained in the above memoranda, the railway between Truro and the Bend, and the works constructed thereupon by the Lower Provinces shall (as far as Her Majesty's Government is concerned) be considered to form part of the railway on which the loan of 3,000,000 £ is to be expended, and that his Grace sees no reason for requiring any change in that part of the memoranda which declares that 5-12ths of the loan shall be chargeable against Canada, 3½-12ths against Nova Scotia, and 3¼-12ths against New Brunswick.

The further question, what part of that sum of 3,000,000 £ should be paid over to New Brunswick and Nova Scotia, in consequence of the works effected by them without the concurrence of Canada, will be mainly a question for the Provincial Governments in which it must be understood that Her Majesty's Government is not to be involved. But the Imperial Government before being party to any such payment in respect of this section of the railway must have sufficient security that the whole scheme will be prosecuted with effect.