

The Canadian Ministers, in reply, expressed unreservedly the desire of *Canada* to devote her whole resources, both in men and money, for the maintenance of her connection with the Mother Country; and their full belief in the readiness of the Canadian Parliament to make known that determination in the most authentic manner. They said they had increased the expenditure of their Militia from 300,000 to 1,000,000 dollars, and would agree to train that force to the satisfaction of the Secretary of State for War, provided the cost did not exceed the last-mentioned sum annually, while the question of confederation is pending. They said they were unwilling to separate the question of the works of *Montreal* from the question of the works west of that place, and from the question of a naval armament on Lake *Ontario*. That the execution of the whole of these works would render it necessary for them to have recourse to a loan, which could only be raised with the guarantee of the Imperial Parliament. They were ready to propose to their Legislature on their return a measure for this purpose, provided that the guarantee of the Imperial Parliament were given now, and that they were authorized to communicate to the Parliament of *Canada* the assurance that, the occasion arising, *England* will have prepared an adequate naval force for Lake *Ontario*. They thought that if the guarantee were not obtained now, it was probable that the Canadian Government and Parliament would think it desirable that the question of defensive works should await the decision of the Government and Legislature of the United Provinces.

On the part of Her Majesty's Government we assented to the reasonableness of the proposal that if the Provinces undertook the primary liability for the works of Defence mentioned in the letter of Lieutenant Colonel *Jervois*, and showed a sufficient security, Her Majesty's Government should apply to Parliament for a Guarantee for the amount required; and we said that Her Majesty's Government would furnish the armaments for the works. But we said that the desire and decision of the Provincial Legislature ought to be pronounced before any application was made to the Imperial Parliament. On the subject of a Naval Force on Lake *Ontario*, we said that, apart from any question of expediency, the convention subsisting between this country and the *United States* rendered it impossible for either nation to place more than a specified number of armed vessels on the Lakes in time of peace. In case of war it would as a matter of course, be the duty of any Government in this country to apply its means of Naval Defence according to the judgment it might form upon the exigencies of each particular time, and the Canadian Ministers might be assured that Her Majesty's Government would not permit itself to be found in such a position as to be unable to discharge its duty in this respect. This was the only assurance the Canadian Ministers could expect, or we could give.

Upon a review of the whole matter, the Canadian Ministers reverted to the proposal which has been mentioned above, that priority in point of time should be given to the Confederation of the Provinces. To this we, on the part of Her Majesty's Government, assented. In conformity however, with a wish strongly expressed by the Canadian Ministers, we further said that if, upon future consideration, the Canadian Government should desire to anticipate the Confederation and to propose that *Canada* should execute the works, they would doubtless communicate to Her Majesty's Government that decision; and we trusted that after what had passed in these conferences they would feel assured that any such communication would be received by us in the most friendly spirit.

On the third point, the Reciprocity Treaty, the Canadian Ministers represented the great importance to *Canada* of the renewal of that treaty, and requested that Sir *F. Bruce* might be put in communication with the Government of Lord *Monck* upon the subject. We replied that Sir *F. Bruce* had already received instructions to negotiate for a renewal of the treaty, and to act in concert with the Government of *Canada*.

On the fourth point, the subject of the North-West Territory, the Canadian Ministers desired that that Territory should be made over to *Canada*, and undertook to negotiate with the *Hudson's Bay Company* for the termination of their rights, on condition that the indemnity, if any, should be paid by a loan to be raised by *Canada* under the Imperial guarantee. With the sanction of the Cabinet, we assented to this proposal, undertaking that if the negotiation should be successful we on the part of the Crown being satisfied that the amount of the indemnity was reasonable, and the security sufficient, would apply to the Imperial Parliament to sanction the agreement and to guarantee the amount.