

accept the proposals, to accord, as between the parties, such a rate, and such a rate only, as the circumstances of the time may render necessary with a view to securing the absolute success of the undertaking.

I have the honour to be,
Your Grace's most obedient Servant,

(Signed)

EDWARD W. WATKIN.

His Grace
The Duke of Newcastle, K.G.,
&c., &c., &c.,
Colonial Office.

No. 17A. (Enclosure in No. 17.)

Heads of Proposal for establishing Telegraphic and Postal Communication
from Lake Superior to New Westminster.

The "Atlantic and Pacific Transit and Telegraph Company" propose to establish and maintain communication by Electric Telegraph and a Mail Post, passing at such intervals, fortnightly or otherwise, as shall be agreed upon, between a point at the head of Lake Superior, and New Westminster in British Columbia, on the following terms:—

1. That the Imperial Government, the colonies of Canada and British Columbia, and the Hudson's Bay Company, shall each, within the territories belonging to them, grant to the Company such land belonging to the Crown or Company, and all such rights as may be required for the Post Route, Telegraph and necessary Stations, and for the proper working thereof.

2. The line of Telegraph shall be divided into proper sections, and so soon as Telegraphic communication is established throughout any such section, the colonies of Canada, Vancouver Island, and British Columbia will guarantee to the Company a rate of profit on the capital expended at the rate of not less than 4 nor more than 5 per cent. (with all surplus profits to the Company), provided that the total amount of the capital guaranteed shall be limited at £500,000, and that the total annual payment to be made by Vancouver Island and British Columbia together shall not exceed £12,500. Provided, also, that the interest accruing upon the money paid up by the shareholders until the above guarantee shall take effect shall be reckoned as capital; and provided, further, that in case the telegraphic line shall not be completed within five years, (unless by reason of war or commotion,) or in case of any wilful default of the Company, the above guarantee shall be suspended until the line shall be so completed.

3. In case the route shall run through crown land not within the limits of Canada or British Columbia, nor within the territory claimable by the Hudson's Bay Company, the Company shall be entitled to demand Crown grants to the extent of five square miles for every mile of telegraph line within such Crown land. Such grants shall be demandable so soon as the telegraph communication shall be completed across such Crown land, and the blocks granted shall be adjacent to the telegraph line, and shall be as near as may be five miles square, and shall alternate on each side of the line with blocks of similar frontage, which shall remain in the possession of the Crown. The Company is not to sell this land except under effectual conditions of settlement, and in case the undertaking shall be permanently abandoned the land not so sold is to revert to the Crown.

4. The Company shall not dispose of the telegraph without the consent of the Imperial Government.