

This letter being addressed to us at Toronto, was not received for some days, and when received was answered by us as follows:

Toronto, Nov. 1st, 1898.

The Honorable F. Carter-Cotton, Minister of Finance, Victoria, B. C.:

Dear Sir:—Your letter of the 19th October reached Toronto after our Mr. Mackenzie had left for England, and it was not until yesterday that the writer, Mr. Mann, received it. Your letter is a surprise to us, as, in accordance with the terms of the contract for the railway from Penticton to the Boundary, work was commenced within the time mentioned in the contract, and has since been carried on in accordance with our understanding of the contract. The same remarks apply to the contract for a line from an ocean port to Stikoen and Teslin Lake. We must protest against the contracts being considered as at an end, and we hope the Government will reconsider its decision. Your early reply is respectfully asked for, as our men are still at work. Kindly address your letter to Mackenzie & Mann, Toronto.

With reference to the contract for the line from the coast to Penticton, we call your attention to the fact that by its terms we are not obliged to commence work before May 8th, 1899, but we have had surveyors on the route.

Yours truly,

(Sgd) MACKENZIE & MANN.

To this last letter the following answer was received:

Finance Department, Victoria, B. C.,

21st November, 1898.

Messrs. Mackenzie & Mann, Toronto, Ont.:

Gentlemen:—I have the honor to acknowledge the receipt of your favor of the 1st instant.

I am at a loss to understand how the contents of my letter of the 19th ultimo could have been "a surprise" to you, since the same were identical with the views held by the Government and stated to you very explicitly in the interview between the Attorney-General and myself and both members of your firm in my office last September.

While it is not the desire of the Government to take any action which could in any manner be considered as arbitrary or unreasonable, it is impossible for it to extend the authority or disregard the instructions of the Legislature, as defined in the Public Works Loan Act, 1897, and amending Act.

The Government considers that the arrangement which you state was entered into with you by the late Government does exceed the authority conferred by the Legislature, and is consequently void and of no effect.

Even had it been otherwise, the fact that you have purposely postponed doing any substantial work on the Penticton-Midway road until you can be assured of receiving financial assistance from the Dominion Government, would make it impossible for the Government to give that approval to the manner in which the work has been prosecuted, which by sub-section 1 of section 9 of the Act is an essential condition precedent to the granting of the subsidy.

I have the honor to be, Gentlemen

Your obedient servant,

(Sgd) F. CARTER-COTTON,

Minister of Finance.

On the 22nd of November we called upon the Government and had the honor of an interview with the Council concerning these matters. At this interview we recapitulated the facts which are set out in the foregoing portion of this letter, and we further pointed out that if we were prevented by the Government from continuing with the present contract the building of the road in the Boundary Creek District would be very seriously delayed, or indeed rendered absolutely impossible at the present time from the fact that as the Subsidy Act required not only that a contract should be entered into with the Government for the purpose of earning the subsidy, but also that work thereunder should be commenced on or before the 8th of August, 1898, the Government could not now legally let the contract for that purpose to any one. We further stated that it was impossible for anyone to build the road in question without having Government aid, and that there was no one at present entitled to any such aid except the Columbia and Western Railway Company, who, under their charter, need not complete such road until 1901; and furthermore, that the building of this road by the Columbia and Western Railway Company committed the Province to the alienation of over two million acres of public lands. We further pointed out that if, as was quite possible, no person, firm or company could be induced to build this road under the Provincial subsidy alone, unsupplemented by Dominion aid, the action of the