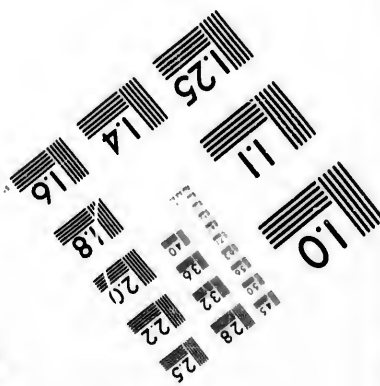
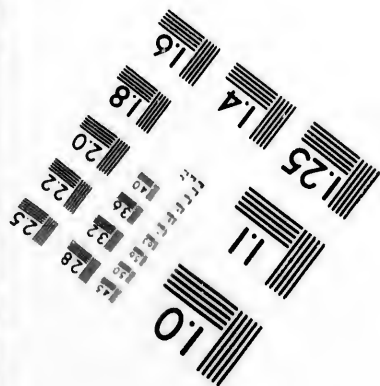
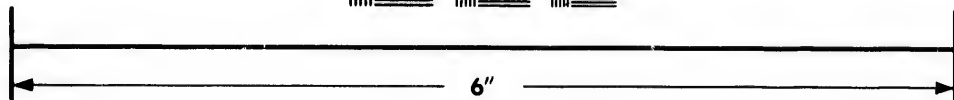
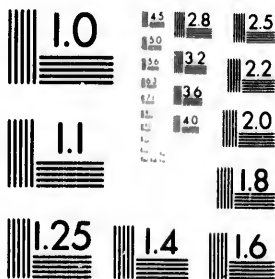


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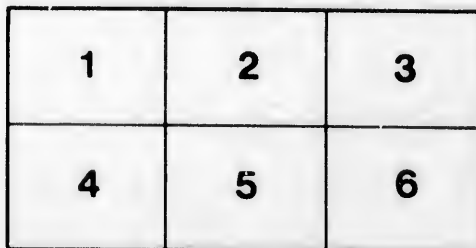
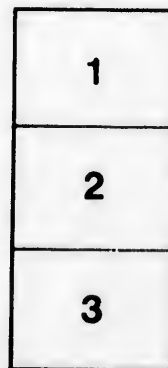
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THE EARL OF CARNARVON TO THE EARL OF DUFFERIN.

DOWNING STREET,
9th March, 1876.

MY LORD,—

I have the honor to transmit to you a copy of a letter which has been addressed to me by the Lieutenant-Governor of British Columbia, enclosing with other papers a petition to the Queen from the Legislative Assembly of the Province, praying Her Majesty to cause the Dominion Government to be immediately moved to carry out the terms of the settlement effected through my intervention in 1874, with regard to the construction of the Canadian Pacific Railway.

I also transmit to you copies of two previous letters from the Lieutenant-Governor, enclosing copies of the Minutes of the Executive Council of the Province, dated respectively the 6th December, 1875, and 4th January, 1876, to which reference is made in the 17th paragraph of the petition.

I shall be glad to receive the observations of your Ministers on the whole question, and I shall be obliged by your informing the Lieutenant-Governor that his letter and the petition of the Legislative Assembly of the Province have been received by me, and that I am in communication with the Government of the Dominion on the subject.

I have, etc.,

(Signed,)

CARNARVON.

Gov.-Genl.,

The Rt. Hon.,

The Earl of Dufferin,

K. P., K. C. B.

&c., &c., &c.

Copy of a Report of a Committee of the Honorable the Privy Council, approved by His Excellency the Governor-General in Council, on the 22nd April, 1876.

The Committee of the Privy Council have had under consideration the Despatch from the Right Hon. the Secretary of State for the Colonies to your Excellency of the 9th March

1876, transmitting a copy of a letter addressed to the Secretary of State by the Lieutenant-Governor of British Columbia, enclosing, with other papers, a petition to the Crown from the Legislative Assembly of the Province, praying Her Majesty to cause the Canadian Government to be immediately moved to carry out the terms of settlement effected through Lord Carnarvon's intervention in 1874, and also copies of previous letters from the Lieutenant-Governor, enclosing other papers on the same subject, which despatch intimates that Lord Carnarvon would be glad to receive the observations of Your Excellency's Ministers on the whole question.

The Minute of Council of the 13th March last, of which a copy has already been transmitted to Lord Carnarvon, fully expresses the views of this Government on the subject of the petition in question, and the other papers.

It is right to observe that, so far as the Committee are able to judge, the conclusions of that minute faithfully represent the opinions of the people of Canada on the question, and further, that the Appropriation Act, to which Your Excellency has just assented, contains a clause attached to the grant of money for the Pacific Railway, expressing the view of Parliament, that the arrangements for the construction of the work should be such as the resources of the country would permit without increasing the existing rates of taxation.

The Committee continue to be of opinion that the arrangements proposed in 1874 having been found impossible of execution, and British Columbia having declined to entertain the subsequent proposals made to her, and insisting still upon the performance of what has been found impossible, it only remains for the Government to make such arrangements for the construction of the Pacific Railway as the resources of the country will permit without increasing the existing rates of taxation.

The Committee recommend that a copy of this minute should be transmitted to Lord Carnarvon.

CERTIFIED.

(Signed,)

W. A. HIMSWORTH.

C. P. C.

BRITISH COLUMBIA, GOVERNMENT HOUSE,

3rd June, 1876.

SIR,—

With reference to your despatch of 17th March last, the receipt of which was duly acknowledged by me on the 17th April, transmitting six copies of an Order of His

Excellency the Governor-General in Council, on the address to Her Majesty the Queen, from the Legislative Assembly of this Province in relation to the questions at issue between the Government of the Dominion and that of the Province, respecting the agreement in the Terms of Union, for the construction of the Canadian Pacific Railway, I have the honor to enclose herewith for the information of His Excellency the Governor-General, in accordance with the advice of my Ministers, a copy of a minute of my Executive Council submitting certain remarks upon that Order in Council. I also enclose for His Excellency's information a copy of a Despatch, which in further accordance with the advice of my Ministers, expressed in their minute, I have this day addressed to the Right Honourable Her Majesty's Principal Secretary of State for the Colonies, covering a copy of the said minute of my Council.

I have, &c.,

(Signed,)

JOSEPH W. TRUTCH.

The Honorable

The Secretary of State

for Canada,

Ottawa.

BRITISH COLUMBIA, GOVERNMENT HOUSE,

3rd June, 1876.

My Lord,—

I have the honor to enclose herewith, in accordance with the advice of my Ministers, for your Lordship's consideration, a copy of a minute of the Executive Council of British Columbia, upon the Order of His Excellency the Governor-General of Canada in Council, of the 18th March last, already before your Lordship, on the address to Her Majesty the Queen, from the Legislative Assembly of this Province respecting the Canadian Pacific Railway, which address was transmitted in my Despatch of the 2nd February last.

I have, etc.,

(Signed)

JOSEPH W. TRUTCH.

The Right Honorable

The Earl of Carnarvon,

H. M. Principal Sec. of State

for the Colonies.

Copy of a Report of a Committee of the Honorable the Executive Council, approved by His Excellency the Lieutenant-Governor on the 3rd day of June, 1876.

The Committee of Council having had before them the Minute of the Privy Council of Canada, of March 18th last, commenting upon the Address and Petition to Her Majesty by the Legislative Assembly of British Columbia, desire to submit the following remarks in relation thereto:—

That that Minute in no way disproves or even disputes the material facts stated in the said Address, but rather seeks to account for them; nor does it in their opinion weaken the force of the representations based on those facts; and that they would be well satisfied that the argument in this case should be submitted to any impartial tribunal, just as it is left by the reply in the Minute of the Government of Canada upon that Address.

That they desire, however, to deny distinctly that British Columbia has at any time, through any delegate or agent, either directly or indirectly, consented or agreed that the Railway obligations of Canada towards British Columbia, under the Terms of Union, should be subject to the limitation specified in the Resolution adopted by the House of Commons of Canada on the 11th day of April, 1871.

That such a limitation virtually nullifies those obligations altogether, as, indeed, is now in fact claimed by the Government of the Dominion.

That they protest against the unwarranted assumption in that Minute that British Columbia has in any way assented or become bound, either legally or in honor, to such an abrogation of the Railway Article of the Terms of Union.

That they equally repel the charge that this Province, from sordid and selfish craving "for the gains and profits to be expected from the expenditure of millions in their midst, on "the construction of the Pacific Railway," has ever sought to exact the literal fulfilment of the Railway Agreement, regardless of the general welfare of Canada, even to the involvement of the Dominion, of which she is a Province, in financial ruin, as is asserted in that Minute. That, on the contrary, British Columbia has always been ready to adopt a reasonable view of that agreement, as is fully shown by the cordial concurrence of her Government and people in the modification of that agreement effected in 1874, through the Right Honorable the Secretary of State for the Colonies.

That the Government of Canada, however, now evade compliance with the requirements of that modification, or seek to qualify and virtually nullify it by a condition certainly not clearly or openly stated (if stated at all) when that modification was decided upon by the Secretary of State for the Colonies and accepted unreservedly by that Government.

That British Columbia never urged, nor desired, nor would she have concurred in any such expenditure of the public funds of Canada, in the construction of the Pacific Railway, as could be shown to be beyond the financial ability of the Dominion, but that she has claimed

and does claim a right to form and express an independent opinion as to the extent to which that financial ability should be exerted on this great national enterprise ; and she holds that, though in other respects an integral part of Canada as a Province of the Dominion, she is entitled, in respect of this question of the non-fulfilment of the Terms upon which she entered the Dominion, to a position as independent as she occupied in negotiating those Terms, a position of entire equality with that which attached to the Dominion itself, the other party to those negotiations.

That as regards the suggestion by the Government of Canada in the Minute of Privy Council of 20th September last, that British Columbia should receive a bonus of \$750,000 "as compensation for any delays which may take place in the construction of the Pacific Railway," it seems to be intimated in the subsequent Minute of March 18th, although it is yet far from being distinctly stated, that such bonus was offered in lieu of the proposed section of railroad between Esquimalt and Nanaimo only, and that it was never intended that the acceptance of that bonus by British Columbia should relieve Canada from any of the conditions of the settlement of the Railway agreement effected in 1874, other than that providing for the construction of that particular section of railroad. If such was the intention of that offer, it is much to be regretted that it was expressed in the Minute of 20th September in language which certainly conveys a very different meaning, and fully warrants the conclusion, and none other, which the Government and people of British Columbia derived from it, viz. : that the acceptance of the proffered bonus would be held to preclude British Columbia from any further assertion of her rights under the Railway Article of the Terms of Union. It is yet more to be regretted that the Government of Canada, on learning that the true intent of their suggestion had been, as they allege, misapprehended, have not, in plain language, renewed that suggestion in the spirit of the desire expressed in their last Minute, to propose "a liberal compensation for delays, in substitution of that provided by the arrangement recently entered into in 1874, but to which Parliament declined to assent."

That as to the contention in the Minute of the Privy Council of Canada of 20th of September last, that the "proposed railway from Esquimalt to Nanaimo does not form a portion of the Canadian Pacific Railway, as defined by the Act ; it was proposed as compensation for the disappointment experienced by the unavoidable delay in constructing the Railway across the continent," which contention is renewed in their subsequent Minute, the Committee observe that the Order in Council of 7th June, 1879, by which it is decided that "Esquimalt be fixed as the terminus of the Canadian Pacific Railroad," has never been repealed or reversed, as far as the Committee are aware, by any subsequent Order of Council or other instrument, of equal validity. Certainly no such subsequent Order of Council has been communicated to the Government of British Columbia.

That, whatever may have been the intention of the Government of Canada in offering to construct immediately the portion of road between Esquimalt and Nanaimo, that offer was never accepted by the Government of British Columbia.

That the Government of British Columbia did, however, accept the settlement effected in 1874 through the Secretary of State for the Colonies, and that the Government and people

of British Columbia are loyally ready to abide in all respects by that settlement, and to be bound by all its conditions as they may be defined by the Secretary of State for the Colonies.

That the Government and Legislature of British Columbia, desirous then, as they still are, to do all in their power to give effect to that settlement, without hesitation complied last year with the request of the Government of Canada for the conveyance to that Government, by Act of this Legislature, of certain lands along the line of the proposed Railroad between Esquimalt and Nanaimo, in aid of the construction of that portion of road, of the extent and on the conditions stipulated in the 11th Article of the Terms of Union.

That the Government of Canada, in their application for the conveyance of those lands by Act of this Legislature, gave no intimation that such conveyance by legislation was specially requisite on account of the proposed road from Esquimalt to Nanaimo not being part of the Canadian Pacific Railroad; nor was such a consideration presented in any way to the Government or Legislature of British Columbia.

That the Committee hold, on the contrary, that such legislation would have been equally required for the full legal conveyance of the lands applied for, whether the portion of road towards the construction of which they were appropriated were part of the Canadian Pacific Railroad or not, and that similar legislation would be requisite for the conveyance to the Dominion of any lands in respect of the construction of any portion of the Canadian Pacific Railroad, under the 11th Article of the Terms of Union, by which the Government of British Columbia "agree to convey" certain lands on the conditions therein stated, this Government being incompetent to duly carry that agreement into effect without being further specially empowered so to do by the Legislature of the Province.

That the contention that the portion of road between Esquimalt and Nanaimo is not part of the Pacific Railway is wholly immaterial if—as seems to be indicated in the last Minute of Privy Council—that portion of road was undertaken in 1874 as compensation for delay which had then already occurred in the commencement of the Pacific Railroad, and for such further delay only in its construction and completion as is stipulated in the settlement effected by the Secretary of State for the Colonies.

That, with regard to the comparative statement of the Revenue and Expenditure of the Dominion in British Columbia since union, which is appended to and commented upon in the Minute of Privy Council of 18th March, it would not be difficult to show that that statement is not altogether a fair exhibit of the account. That a large part of the expenditure charged against British Columbia is incidental to the extension of the system of Confederation over a new Province. That the Revenue derived by the Dominion from British Columbia is shown by that statement to have steadily and largely increased, viz.: as \$363,298.08 for the year 1871-2 is to \$275,833.01 for the first half of the year 1875-6, the expenditure increasing also in about the same proportion; that whilst it may confidently be anticipated that at least that ratio of increase of revenue will be maintained, the increase of expenditures, on the other hand, may be expected to be proportionately reduced after the completion of those public

buildings and other public works, the construction of which was provided for in the Terms of Union, and to which a considerable part of the expenditure of the past three years is chargeable.

That even if it could be shown from a comparison of the expenditure and receipts of the Dominion in British Columbia since Union, that enormous pecuniary advantages have, as is asserted in that Minute, resulted to this Province, such a financial balance against British Columbia would be but insignificant in comparison with the infinitely more important and lasting benefits which she justly anticipates from the construction of the Pacific Railroad in accordance with the Terms of Union, not indeed so much from the expenditure of money in its construction as from the results to the Province and to the Dominion of its completion and the establishment thereby of a great highway for trade and travel within British territory from the Atlantic to the Pacific, and the immigration consequent therefrom into this Province.

That the introduction, by the Government of the Dominion of such a discussion as to the financial results to Canada and British Columbia respectively, from the introduction of that Province into the Dominion, appears to the Committee most unfortunate, and is certainly not pertinent to the question at issue. British Columbia has never complained of having been unfairly dealt with in the apportionment of the General Expenditure by the Dominion, nor would the Committee desire to assume that such expenditure, either in British Columbia or elsewhere, has been directed by any other motive than that of promoting the general welfare of the Dominion as a whole, without seeking to purchase, by undue apportionment of the public funds, the consent of this or any other Province to an abandonment of just claims under the Terms of Union.

That the manifestation by the Government of Canada of their sentiments towards British Columbia, expressed in the concluding paragraphs of their last Minute, followed as has been by the adoption by a large majority of the House of Commons in the recent Session—all the members of the Government in that House being of that majority—of a Resolution to the effect that the Pacific Railroad shall not be built if its construction entail on Canada any increase of taxation, has painfully impressed us and the community we represent, with the conviction that the Government of Canada do not intend to press the construction of that Railroad beyond the convenience of that Government after providing for all other public works of apparently more direct and local interest to the majority in Eastern Canada, nor to have any regard to the contract for its completion entered into by Canada in the Terms of Union, and renewed in modified terms in the Settlement effected, in 1874, by the Right Honorable the Secretary of State for the Colonies, except subject to that convenience.

That the Committee, again, humbly submit that British Columbia is, at least, entitled to have the conditions of that settlement carried out in letter and in spirit, and they humbly and earnestly renew the prayer of the Petition to Her Majesty from the Legislative Assembly of the Province; that the Dominion Government be immediately moved to carry out the terms of that settlement.

That they have the fullest confidence that Her Majesty will not require Her loyal subjects in this Province, however numerically weak, to submit to injustice and injury from the majority, however great, to whom they united themselves at Her Majesty's instance, on distinct and carefully considered terms, in claiming the performance of which, even in a modified form, they are met with reproaches and charged with ignominious motives.

That, unless means be speedily taken to remove this sense of slight and injustice, now felt by the people of British Columbia, and to satisfy them that the substantial rights of the Province will be maintained, this growing alienation of sentiment must result prejudicially to the interests of the Empire.

The Committee respectfully request that your Excellency will be pleased, if this Report be approved, to cause copies thereof to be severally forwarded to the Right Honorable the Secretary of State for the Colonies, and to the Honourable the Secretary of State for Canada.

Certified,

(Signed) T. BASIL HUMPHREYS,

Clerk of the Executive Council.

THE EARL OF CARNARVON TO THE EARL OF DUFFERIN.

DOWNING STREET,
May 28rd, 1876.

MY LORD,—

I have received your despatch, No. 75, of the 17th March, in which you enclose a Report of a Committee of your Privy Council drawn up in reference to a petition to the Queen, from the Legislative Assembly of British Columbia, having reference to the course proposed to be taken by the Canadian Government with reference to the construction of the Pacific Railway.

2. The petition of the Legislative Council of British Columbia was forwarded to me, as you are aware, by the Lieutenant-Governor of the Province, who had also previously communicated to me the minutes of his Executive Council, dated the 6th December, 1875, and 4th Jany., 1876, relating to the same subject.

3. I have learnt with sincere pleasure that with the concurrence of your Ministers you contemplate a progress through the western portion of the Dominion, as apart from the advantages likely to arise from your becoming personally acquainted with British Columbia and its inhabitants, your intercourse with the principal persons of the Province and the information you will be able to gather, will be very valuable in enabling me to appreciate the situation.

4. I should have been anxious to take the papers to which I have referred at once into consideration, and to offer my assistance, so far as it might have been effective, in the settlement of the question which has unfortunately been at issue between the two Governments, but it appears to me that the benefits likely to be derived from your visit will be so great that I prefer to postpone my consideration of the papers till after that event.

5. It seems to me quite unnecessary for Her Majesty's Government to review the arguments advanced by the British Columbia Government in their Minute of Council of the 4th Jany. : as to whether or no the Nanaimo Railway had ever been spoken of or regarded as an integral portion of the main line, or the results suggested as flowing from this proposition, inasmuch as the Dominion Government during the course of the recent negotiations volunteered to build it as an independent undertaking, and on circumstances rendering the execution of the project impossible, proposed as I understand to ask Parliament to vote in substitution a money payment, a modification, the principle of which would appear to be reasonable.

6. I am glad to perceive that your Ministers recognize the fact that the Resolution of the House of Commons passed a few days after the terms of the Union had been ratified by the Dominion Legislature, could not be regarded as having the same force or significance as if it had formed an integral part of a Treaty agreed to by both parties, though even apart from the weight claimed for the Resolution itself the condition asserted in it, namely, that the aid to be granted to the construction of the Pacific Railway, should not be such as to increase the existing rate of taxation, involves of course a principle of which neither British

Columbia nor any other part of the Dominion should lose sight.

7. I cannot but suppose that the complaints that have reached me from the Government of British Columbia have been founded on a misapprehension, both with reference to the expression used in the Canadian Minute of Council of the 20th of Sept., in regard to the cash bonus of \$750,000 which it was proposed to award to the Province, as well as to the intentions of the Dominion Minister. From the Report of the Engineers, which you have forwarded to me, I am led to believe that no exertions have been spared in the prosecution of the extremely difficult surveys which must necessarily precede the location of the line, and I cannot help entertaining every confidence that the Dominion Authorities will continue to exercise effective diligence in the prosecution of the work.

8. Whilst I fully sympathize with the anxieties which must be felt by those charged with the responsibility of bringing this very great enterprise to a successful termination, and readily acknowledge the difficulties which attend it, I confidently trust that the inhabitants of British Columbia will not fail to remember that they are not merely inhabitants of a Province, but of a great Dominion, and that they will not be less anxious than any of their fellow subjects in any other part of the country to see the work conducted under such circumstances as will be most conducive to the welfare of the community at large.

9. I heartily approve of your journey to British Columbia, and doubt not that the fact of your Ministers concurring so entirely in the visit will be recognized by the inhabitants of the Province as a proof of their good will and solicitude, and I wish it to be understood that no course could have been suggested which would have been more in accordance with my own views. It is indeed because I attach so much importance to the project and entertain so confident a hope of the results likely to arise from it, that I propose to postpone my reply to the Minutes of Council which have been communicated to me from British Columbia, and from Canada respectively, and to defer laying before Her Majesty the Petition from the Provincial Assembly until after I shall have heard from you from Victoria.

10. It only remains for me to notice the complaint of the British Columbia Government that the Minute of Council of September 20th, 1875, of your Government was not forwarded to them till after a long delay. After the explanations which have been given of this occurrence, I am certain that the Government of British Columbia will feel as convinced as I myself am that it was merely owing to an unfortunate oversight; and I regret that it should have been thought to warrant an imputation which ought never to have been made.

You will be so good as to communicate this Despatch to the Lieutenant-Governor of British Columbia.

I have, etc.,

(Signed),

CARNARVON.

Governor-General,

The Right Honorable,

The Earl of Dufferin,

K. P., K. C. B.,

&c., &c., &c.,

THE EARL OF CARNARVON TO THE EARL OF DUFFERIN.

DOWNING STREET,

26th May, 1876.

Canada.

No, 189.

MY LORD,—

I have the honor to acknowledge the receipt of your Despatch No. 182, of the 28th April, enclosing a further Minute of your Privy Council, relating to the construction of the Pacific Railway.

As I observed in my Despatch No. 113, of the 29rd instant, the condition that the expenditure to be incurred on the construction of the Pacific Railway, should not be such as to increase the existing rate of taxation in the Dominion, involves a principle of which neither British Columbia nor any other part of the Dominion should lose sight, and which is entitled to such consideration as may fairly be given to it.

It hardly follows, however, that this is a condition which Her Majesty's Government could avowedly adopt or officially concur in, especially because it might be alleged to be open to question on the ground that the execution of the railway being a public obligation assumed by the Dominion in dealing with what was at the time an independent community, takes priority of ordinary expenditure.

Unless, then, the taxation of the Dominion is under no circumstances to be increased pending the construction of the line, it would seem possible to argue that any additional taxation which may be imposed is incurred for present purposes, and not specially in connection with the Railway. It will, of course, be understood that this is not said with the view of expressing dissent from the general reasonableness of the principle laid down by your Ministers, but in order to preclude the assumption that an assent is given which Her Majesty's Government is not called upon and might not feel able to give.

I have, &c.,

(Signed)

CARNARVON.

Governor-General,

The Right Honorable,

The Earl of Dufferin,

K. P., K. C. B.,

&c., &c., &c.

THE EARL OF CARNARVON TO THE EARL OF DUFFERIN

DOWNING STREET,
18th December, 1876.

MY LORD,—

I duly received your Lordship's despatch No. 190 of the 30th June last, enclosing a Report of a Committee of the Executive Council of British Columbia respecting the course taken by the Dominion Government in reference to the construction of the Canadian Pacific Railway. This report, together with the previous one of the 4th January and the Petition to the Queen from the Legislative Assembly of the Province, have received my very careful consideration.

2. In my despatch No 113 of the 23rd May I informed you that I proposed to postpone any reply to the Minutes of Council which had previously reached me from British Columbia and Canada respectively upon this subject, and that I should also defer laying before the Queen the Petition from the Provincial Assembly, until after your contemplated visit to British Columbia.

3. It has not yet been possible for you to complete and transmit to me your official report of this visit, but as I understand that the meeting of the British Columbia Legislature is now near at hand, I think I ought not any longer to withhold from the Governments of the Dominion and of the Province, an expression of my opinion, so far as it has yet been possible for me to form one, on the principal questions now at issue.

4. Although in visiting British Columbia you were not charged to offer any explanations or to make any proposals, either on behalf of Her Majesty's Government or of your Ministers to the Government and people of the Province, I naturally anticipated that the result of your communications with them would be to enlighten them as to the views and policy of the Dominion Government, and the difficulties with which that Government has had to contend in fulfilling the terms of the settlement which I proposed in 1874; and consequently would tend to allay the irritation which had been felt in the Province on account of the failure of the Bill providing for the Nanaimo and Esquimalt Railway, as well as on other points in regard to which the people of British Columbia have been dissatisfied.

5. I have already learnt enough of your proceedings to feel assured that I do not misinterpret the result of your visit in believing that my anticipations, as above expressed, have been to a great extent fulfilled, and that public opinion in British Columbia will at all events be prepared to concur with me in the opinion, that the circumstances of the case are such as to render it not unreasonable that the Dominion Government should ask for time, and an indulgent consideration of their own difficulties, in order that they may fulfil to the best of their ability the obligation, under which they find themselves placed.

6. If I do not at this moment comply with the representations of the Assembly and Council of the Province, that I should urge upon the Government of Canada the strict and immediate fulfilment of the obligation to which I have referred in the preceding paragraph, it is because I appreciate, more distinctly perhaps than it is possible for the people of the Province to do, the position in which the Dominion Government has been placed by the failure of the Island Railway Bill. I recognize, moreover, the fact that there are many considerations which require that the whole of the most important portion of the Pacific Railway should be treated with the utmost deliberation, consistent with the pressing requirements of the Province, and that no hasty action should be pressed upon the Canadian Government, whom I need hardly say I believe to be thoroughly sincere in their desire to construct the main line of railway, with all the expedition of which the resources of the country, and the engineering problems remaining yet unsolved, will admit.

7. After much and anxious consideration and with every sympathy for the sense of disappointment under which I see that the people of British Columbia are labouring I cannot avoid the conclusion that the objections which have been made against the course taken by the Dominion Government have been couched in more severe and exaggerated language than a fair estimate of the peculiar embarrassments and the difficulties of the case would seem to justify.

8. The British Columbian Government must, I feel sure, be convinced (as I am) that the surveys of the line have been prosecuted with the greatest vigour and despatch possible, that these surveys are now approaching completion, and that every effort has been made by the Government of Canada to hurry forward the antecedent preparations necessary to the construction of the Railway.

9. It must of course be expected that even after the completion of the surveys upon the spot a great amount of work will remain to be done in the Engineer's Office, and the Dominion Government will require time to consider fully, after sufficiently accurate data have been collected, not only the exact proportions and details of the undertaking but also the calls which it will entail upon the resources of the country. Those, again, who may be disposed to contract for sections of the line, and some of whom may not improbably be resident in England would presumably require to send their agents to the localities in order to make such calculations as would enable them to tender for the work.

10. There is a further question of the gravest importance, which has weighed much with me. Not only is it evident that the route inland must be laid down with sufficient precision for the purpose, but the question of the terminus is one in which the most serious consequences are obviously involved, and with regard to which, after having recourse to the information now in the possession of the Lords Commissioners of the Admiralty, I see clearly that we have not at present the materials for any definite conclusion.

11. The future success of the Railway is indeed, in so great a degree, dependent upon a proper approach to the sea being selected, that it would be obviously improper for the Cana-

dian Government to be hurried into a premature decision on this point by any untimely pressure. For example, grave objections, I understand, may be argued against the Bute Inlet Route, which has been looked upon with much favor, on account of the inadequacy of its head waters as a safe anchorage; and unless the Railway could hereafter be practically prolonged to some point in Vancouver Island, such as Barclay Sound or Esquimalt, by means of Steam Ferry Navigation across the intervening Channels, it appears difficult to see how this route could be adopted.

12. The question of the terminus on the Pacific is in fact one which could only be decided after fuller and more conclusive reports have been procured from Marine Engineers, or Naval Officers, than have yet been obtained, and these considerations, coupled with other circumstances, make it now evident, that with the best intentions and exertions, and under the most favorable circumstances, no serious commencement of the Railway, within the Province, can be at once made:

13. Between the coming spring, however, and the spring of 1878, it may be fairly expected, that many points now surrounded with doubt, will have become more clearly defined; and I fully hope and believe, that after the very limited delay of a single summer, the Province of British Columbia will find that there is no longer any obstacle to the active prosecution of the undertaking, and I trust that the Province will not fail to perceive with me that its case will be by no means strengthened, if impatience (however natural under other circumstances,) is displayed at the non-commencement of a line of Railway, the proper course and terminus of which are as yet altogether uncertain; while at the same time an independent observer must admit that the Canadian Government are using every exertion to carry out the work as rapidly as possible.

14. I will not now further notice the offer made to British Columbia by Canada, of a money payment in lieu of the Esquimalt and Nanaimo Railway, and in compensation for delay than by observing that I could not with advantage at the present moment enter into the question of the sufficiency or otherwise of the amount offered. The present condition of the whole question renders it in my opinion premature to discuss this particular point inasmuch as the duration of the delay in commencing the main line of Railway may become, equitably at all events, a material consideration in estimating the amount which should be paid to the Province. It would however be a source of much satisfaction to me to learn that the Province were willing to accept the principle of a money equivalent for the line in question, the construction of which I am bound to say does not appear to me likely to be the most judicious expenditure of capital.

15. To sum up, then, the considerations to which I have referred I wish you to inform your advisers and the Provincial Government that while I do not feel myself in a position to decline to entertain the representations pressed upon me by the Province, I am nevertheless at this moment unable to pronounce an opinion as to the course which should be taken, either with regard to the Esquimalt and Nanaimo Railway, or with regard to the delays which have occurred, or which may yet occur, in the construction of the

main line. Until it is known what is to be the route and terminus of that line and what offers may be made by contractors for its construction, I feel that it would be improper to come to any conclusion on the subject.

16. I sincerely regret the immense engineering difficulties which have presented themselves, and which have necessarily rendered impracticable in some respects the settlement which I recommended in 1874, but I am satisfied that the Dominion Government has contended with them to the best of its ability; and while I trust that the Province will now wait patiently until the terminus can be settled, and tenders for the work can be received. I shall be ready when in possession of this information to assist so far as I can, if both parties should desire it in the settlement of the minor, though, of course, very important, question which has arisen as to the compensation offered in substitution for the Railway on the Island.

I have, &c.,

(Signed)

CARNARVON.

Governor-General,

The Right Honorable,

The Earl of Dufferin,

K.P., G.C.M.G., K.C.B.

&c., &c., &c.

