THE STORY OF THE

Being a Synopsis of the Facts

The Story of the Pacific Scandal.

In the session of 1871 the country was astounded by the proposal embodied in the terms of union offered by the Canadian Government to British Columbia, that the Dominion should guarantee to commence within two years, and complete within ten years, a railroad which, in connection with the existing Canadian Lines, should stretch from the Atlantic to the Pacific. The road for certain would be 2,500 miles, and might be 2,700 miles in length. It might, according to circumstances, cost ONE HUNDRED, ONE HUNDRED AND FIFTY, or TWO HUNDRED MILLIONS of dollars. Sir Hugh Allan, in fact, did ultimately propose to borrow for the completion of the scheme a capital of ONE HUNDRED AND EIGHTY MILLIONS. No plans for its construction were before the Government. No surveys had been made; no estimate of the cost had been submitted. The preliminaries necessary before commencing an undertaking to which the national faith was thus pledged, were not even those which would be adopted before agreeing to erect a lighthouse or build a bridge. Yet the enterprise, in proportion to the wealth and numbers of the people, would be unprecedented in its magnitude, and tax the national resources to the utmost.

British Columbia's Demand.

What made the bargain all the more extraordinary was, that the British Columbians did not insist upon nor even ask Canada to commit herself to any such engagement. What they demanded was as follows:—

"Inasmuch as no real union can subsist "between the colony and Canada without "the speedy establishment of communication across the Rocky Mountains, by "coach road and railway, the Dominion "shall, within three years from the date of "union, construct and open for traffic such "coach road from some point on the line of "the main truck road of this colony to "Fort Garry, of similar character to the "said main truck road; and shall further "engage to use all means in her power to "complete such railway communication at "the earliest practicable date, and that surveys to determine the proper line for such "railway shall be at once commenced; and "that a sum of not less than one million dollars shall be expended in every year from "and after three years from the date of "union in actually constructing the initial "sections of such railway from the seaboard "of British Columbia, to connect with the "railway system of Canada."

What Canada Granted.

Instead of this moderate proposal, that Canada "SHOULD USE ALL THE MEANS IN "HER POWER" to complete such railway communication, the Government of Canada offered and insisted on Parliament assenting to the following:—

"The Government of the Dominion undertake to secure the commencement simultaneously, within two years from the date "of union, of the construction of a railway "from the Pacific towards the Rocky Mountains, and from such point as may be "settled east of the Rocky Mountains towards the Pacific, to connect the seaboard "of British Columbia with the railway "system of Canada; and, further, to secure "the completion of such railway within ten "years from the date of the union."

The proposition was most unpalatable to the House of Commons. An amendment, moved by Mr. Mackenzie, "That "Canada shall not be pledged to do more "than proceed with the necessary surveys, and, after the route is determined, "to prosecute the work at as early a "period as the state of the finances will "justify," was defeated on a party division by, Yeas 63, Nays 98. But this did not by, any means fairly represent the feeling of the House. At a later stage, Mr. Ross, member for Dundas, and a supporter of the Government, moved an amendment, "That in the opinion of the "House the further consideration of the "question be postponed *for the present* "*session of Parliament*, in order that "greater and more careful consideration "may be given to a question of such "magnitude and importance to the people build the road, to receive these vast subsidies, *and to operate the road for allcoming time.* It finally gave powers to the Government to GRANT A CHARTER HAVING THE SAME EFFECT AS AN ACT OF PARLIAMENT, amalgamating any existing incorporated companies, incorporating a new company, OR ALTERING THE ACT OF PARLIAMENT INCORPORATING ANY EXISTING COMPANY. All opposition to these monstrous encroachments on the functions of Parliament was in vain. The British Columbia resolutions had committed the House to the project and to a limitation of time. In short, Sir John A. Macdonald had fairly caught the House in a trap, and resistance was met with the response that the powers must be granted or faith could not be kept with British Columbia.

False Pretences.

But the jealousy of Parliament was not entirely allayed by this argument. Resort must be had to fraud and misrepresentation. The clause giving Government power to supersede the office and authority of Parliament, by issuing a charter equivalent in its effect to a Statute passed by the House of Commons, Senate, and Crown combined, was especially obnoxious. Sir George E. Cartier, however, explained that the clause was designed to prevent a combination of the great companies who were competing for the contract, which might place the Government at the mercy of a powerful monopoly. In his very first speech, when introducing the Canadian Pacific Railway Bill on the 27th April, 1872, Sir George E. Cartier said:—

"Another contingency presented itself to "the Government on considering the "scheme. Several companies might be "incorporated during the present session "of Parliament, *and it might happen that* "*these companies might amalgamate and* "*demand any term; consequently the Gov-*"*ernment had considered by what means* "*such a state of things could be met*, "and they proposed there should be a "clause in the Bill authorizing the Government, in case they could not agree "with a company for the construction of "the whole line, or with a company "formed of several companies amalgamated, *to receive the offer of capitalists to* "*build the railway, and give them a charter* "*under an Order in Council.*"

On the same occasion Sir George Cartier said *it was a matter of rejoicing to the Government that there were several competing bodies endeavouring to obtain incorporation for that purpose.* Again, on the 8th of May, during the discussion of the resolutions, Sir George E Cartier remarked, in nearly similar terms:—"It had been found, he was glad to "say, that there were several companies "seeking incorporation for that purpose. "The policy of the Government would be to "allow all these Companies to obtain Acts of "Incorporation, whether for a portion or the "whole of the railway, reserving to themselves "power, however, to deal with them afterwards. * * * * * *

"*If the Government could agree with any of* "*the proposed companies they would do so* "At the same time, they must understand "that the Government would not be forced "into a large price."

On the 8th of May, in reply to Mr. Holton, Sir John A. Macdonald said:—"The hon. "gentleman opposite were commenting the "remarks of his colleague with what he "(Sir John) had said, as to there being no "communications to the Government succeeding "one letter to himself from Sir "Hugh Allan, which he had treated as *quasi* official. He had stated "that he considered it very gratifying to "have an offer from a gentleman of such high "standing, but he understood he would make "a more official offer to the Government's "and, therefore, he would not bring it down "without his consent. *It was known, however, that there were various parties desirous of carrying out the great work, and it was a source of satisfaction to know that the gentlemen concerned were of the highest standing and influence.* They had, however, an

into the banking-house of *Jay Cooke & Co.*, in New York city, to the credit of the Canada Pacific Railway Company, upon its organization, to be used for the construction of said railway, and for such other purposes as the Directors of said Company, hereafter to be elected, shall determine. And it is also agreed that on the organization of said Railway Company, such a By-Law shall be adopted as will prohibit any further assessment on the stock, beyond the ten per cent paid as before specified, unless ordered by a vote of at least nine-tenths of all the outstanding stock of the Company at some regular or special shareholders' meeting.

"And it is further agreed by the parties hereto that they shall associate themselves together as the Canada Land Improvement Company, which it is proposed shall be hereafter incorporated by the Parliament of Canada, for the purpose of constructing the said railway and for the purchase and sale of lands and for other needed objects; and that their interest in the said Land and Improvement Company shall be in the same proportions as their several subscriptions to the railway stock aforesaid bear to the whole ten millions of dollars subscribed. And it is agreed that the contracts for building any or all of the various sections of the said Canada Pacific Railway, when let, shall be let to the said Canada Land and Improvement Company at fair prices; and the Canada Land and Improvement Company shall operate and be allowed the use of the said railway, during the period of its construction, without charge therefor, except the expense of keeping the same in good order and repair, at their own cost, during such use and control of said railway.

"It is also agreed that the first working capital of the said Canada Land and Improvement Company shall be the aforesaid one million dollars to be paid in on the Railway Stock before-named, less any amounts previously expended by order of the Board of Directors, and shall also consist of such sums or profits as shall thereafter be received by it, from time to time, from said Railway Company, for construction and for work done in excess of the cost of such work, or so much thereof as may be necessary for the successful prosecution of said work."

This was followed, on March 23, 1872, by a "supplementary agreement" in the following terms:—

"Whereas *it appears that the Canadian Government prefer to give a gross sum of money and a gross amount of land for the construction of the Canada Pacific Railway* and the branch thereof from Fort Garry to Pembina or St. Vincent or the International boundary line in that vicinity; now, therefore, the undersigned agree to so alter their contract or agreement of December 23rd, 1871, as to agree to take thirty-five millions of dollars ($35,000,000) in money (gold) and fifty millions of acres of land in amount, to be selected as proposed, and the money to be paid pro rata per mile as constructed, each mile to be counted as the one twenty-five hundredth part of the whole line to be built, and the land at the rate of twenty thousand acres for every mile of railway built; and in case, in the judgment of our associate, Sir Hugh Allan, it should be deemed expedient by him to submit to the acceptance of thirty-three millions of dollars in gold ($33,000,000) and fifty millions (50,000,000) acres of land as compensation for the construction of said road, he is hereby authorised to do so; and in case a further reduction in price is found to be indispensable in order to secure the contract for the construction of the said Canada Pacific Railway, then J. Gregory Smith, Sir Hugh Allan, G. W. McMullen, Geo. W. Cass, and Wm. B. Ogden are hereby constituted a Committee, with authority in them, or a majority of them, to submit to such further reduction in the money price to be paid in their discretion to any sum not below thirty millions of dollars ($30,000,000) as they shall think necessary or advisable; and the said Committee, or a majority of them, shall have power to make such assessments, from time to time, for the general purposes of the Company, not exceeding in all one and one half per cent. of the amounts agreed to be subscribed by us to the stock of the Canada Pacific Railway Company, as they shall deem expedient. The said assessments are to be considered as part of the one million dollars agreed to be paid on the stock contracted to be subscribed by us in the agreement of December 23rd, 1871, and to be subject to the same conditions of payment and refunding with interest as are therein

"Mr. McMullen was desirous of securing the inferior members of the Government, and entered into engagements of which I did not approve, as I thought it only a waste of powder and shot. On a calm review of the situation, I satisfied myself that the whole decision of the question must ultimately be in the hands of one man, and that man was Sir George E Cartier, the leader and chief of the French party. This party has held the balance of power between the other factions. It has sustained and kept in office and existence the entire Government for the last five years. It consists of 45 men who have followed Cartier, and voted in a solid phalanx for all his measures. The Government majority in Parliament being generally less than 45, it follows that the defection of one-half or two-thirds would at any time put the Government out of office. It was therefore evident that some means must be adopted to bring the influence of this compact body of members to bear in our favour, and as I soon made up my mind what was the best course to pursue, I did not lose a moment in following it up.

"A railroad from Montreal to Ottawa, through the French country north of the Ottawa River, has long been desired by the French inhabitants, but Cartier, who is the salaried solicitor of the Grand Trunk Railroad, to which this would be an opposition, has always interposed difficulties, and by his influence prevented it being built. The same reason made him desirous of giving the contract for the Canadian Pacific into the hands of parties connected with the Grand Trunk Railroad, and to this end he fanned the flame of opposition to us. But I saw in this French railroad scheme, *and in the near approach of the general elections*, when Cartier as well as others had to go to their constituents for re-election, a sure means of attaining my object, especially as I purposed to carry it through to the terminus of the Pacific. The plans I propose are in themselves the best for the interests of the Dominion, and in urging them on the public I am really doing a most patriotic action. But even in that view, means must be used to influence the public, and I employed several young French lawyers to write it up for their own newspapers. I subscribed a controlling influence in the stock, and proceeded to subsidize the newspapers themselves, both editors and proprietors. I went to the country through which the road would pass, and called on many of the inhabitants. I visited the priests and made friends of them, and I employed agents to go amongst the principal people and talk it up.

"I then began to hold public meetings, and attended them myself, making frequent speeches in French to them, showing them where their true interests lay. The scheme at once became popular, and I formed a committee to influence the members of the Legislature.

"*This succeeded so well that in a short time I had 27 out of the 45 on whom I could rely;* and the electors of the ward in this city which Cartier himself represents notified him that unless the contract for the Pacific Railroad was given in the interests of Lower Canada he need not present himself for re-election. He did not believe this, but when he came here and met his constituents he found to his surprise that their determination was unchangeable."

John A. Temporizing.

In order to secure the good will of both parties, at all events until the elections were over, Sir John A. Macdonald temporised and tried to effect an amalgamation. He says in his evidence:—

"So soon as the session was over, when "Parliament was prorogued, the Government adressed itself to the task of attempting to procure the amalgamation of "the two Companies."

This, be it remembered, was the Minister who had just induced Parliament to give him most unconstitutional powers, on the ground that amalgamation might prevent competition. Sir John goes on to say:—

"After talking the matter over with Mr. Macpherson and other gentlemen in Toronto, I wrote to Montreal and I asked Sir Hugh Allan to come up to Toronto; and Mr. Abbott, a member of Parliament, and who had taken great interest in the Canada Pacific Railway, also to come to Toronto and discuss the matter with Mr. Macpherson. Sir Hugh Allan wrote me that it was impossible for

"About the end of July, I think it was on the 29th of July, Sir Hugh Allan called upon me at my office, and asked me to accompany him on the following day, at eleven o'clock, to Sir George Cartier's house. He said that he had an appointment with him at that hour. To the best of my recollection, Sir Hugh is mistaken in saying that I had been with him at previous interviews with Sir George Cartier. I do not think that I was with him, except on the occasion of which I have just spoken, namely, the appointed meeting of the 30th July. Sir Hugh called upon me, and we went to Sir George's rooms, and saw him there. Sir George and Sir Hugh had quite a lengthy discussion, which appeared to me to flow to some extent from previous interviews about the position of these companies, about their amalgamation, about the prospects of the amalgamated company in connection with the railway; in fact, on the whole subject; and they came to agree in certain views about the matter, which were stated by Sir George and Sir Hugh plainly enough. The basis of their conversation was the telegram which Sir John A. Macdonald had sent Sir George on the 20th July. In the interests of Sir George Cartier's election, as well as for other reasons, Sir Hugh appeared desirous of having something more definite settled than was contained in Sir John's telegram. The result was that they appeared to agree upon certain points in which Sir George was disposed to favour Sir Hugh's views. Sir Hugh then said to Sir George—'Now, if you can put these points in writing for me as you state them, I think they will satisfy our friends.' Sir George was extremely busy, and was not a very ready penman at any time, and he said, 'Mr. Abbott has heard our conversation; let him put down what he understands has passed between us, and come back this afternoon, and we will close it up.' We then rose to leave, and were leaving the room when Sir George addressed Sir Hugh on the subject of money in the manner which Sir Hugh has described. He said, in an off hand kind of way, 'Are you not going to help us with our elections?' Sir Hugh said he would, or words to that effect, and said 'How much do you want?' or 'How much do you require?' or something like that. I understood Sir George to say that there would be a considerable sum required, as there was so much opposition on various grounds. Sir Hugh said, as far as I can recollect, 'Well, write down what you want.' Sir George said, very rapidly, 'You know you won't lose it all. Our party will make up the greater part of what you give, but we want it now,' or something like that. My memory is very imperfect as to the exact phrases used, as I never endeavored to recollect them until lately, when the matter became the subject of conversation. Sir George then said, 'Very well; come back this afternoon. Let Mr. Abbott write a note requesting you to advance this money, and telling you that I will see that you are repaid, and come back this afternoon at such an hour, and we will close the whole matter up.' We left upon that; I went to my office, sketched a letter about the railway affair, either by dictation or otherwise, I don't remember now, corrected it, and had it copied.

"Q.—I would call your attention to these two letters now.

"A.—I sketched those two letters.

"Q.—You saw them, I suppose?

"A.—I sketched them; I drew them. I sketched those two letters roughly, knowing, I thought, what to say with regard to the first—the railway affair—but knowing very little about the other. Sir Hugh called upon me, and I took those two letters I had sketched to Sir George Cartier's office, with Sir Hugh Allan. The first letter, referring to the railway, Sir George was satisfied with as to the first two pages of it, but not with the third. The letter was written upon three leaves. He was satisfied with the first two leaves, but the conclusion of the letter did not exactly please him. He said, 'Leave that off, and I will dictate to you what conclusion to put to it.' He then dictated the four or five lines which constitute the last sentence of the letter as published, signed it, and handed it to Sir Hugh Allan. The other letter, with respect to the money, he did not approve of, and struck his pen through the most of it, I think, if not the whole of it, wrote a few words upon the draft, and requested me to write it over for him, which I did, either from his dictation or from the draft so altered by him. These are the two letters which Sir Hugh has produced this morning. I find that my recollection differs a little, but

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