

11. It will be observed that the Minister of Finance admitted that the Windsor Branch had been donated as an aid to railway enterprise in Nova Scotia, and throughout the debates it was assumed that your Company were to receive this railway, valued by Mr. Kinney, at \$1,000,000 for nothing. No reference was made to the fact that this grant has been burdened by the Dominion Government itself, with a beneficial lease to another company, for 27 years to come, a lease valued by different persons at \$600,000 to \$800,000 which must be paid for before amicable acquisition of the Branch can be obtained. Nor was any reference made to the stipulation imposed by Parliament in 1882, under very different circumstances from the present, that the Government of Nova Scotia before obtaining the fee simple of the branch back again from the Dominion Government, should obtain from the Western Counties Railway Company a release of their claims against the Dominion Government, that is, should pay the Western Counties Company the damages which might prove to be due to them from the Dominion Government, for their failure to carry out the donation of the Branch authorized by Parliament in 1873.

12. It will be seen, therefore, that the real position of the Government of Nova Scotia and of your Company towards the grant of the Windsor Branch, and the equitable claim of the Company for assistance from the Dominion Government in consequence of the burdens imposed upon that grant, have never been fully placed before Parliament.

13. Finding from the proceedings in Parliament that the Government were not disposed to allow the scheme to proceed unless something were done to satisfy the municipality of Yarmouth and the Western Counties Railway Company, I endeavored to devise some means to meet the difficulty. As to the municipality, they held \$100,000 of common stock in the Western Counties Railway, which we had agreed to exchange for an equal amount in the new company, by which the municipality would at any rate lose nothing. They claimed to be paid 40 cents in the dollar in cash.

14. With regard to the Western Counties Railway Company, I found that it was scarcely contended that the sum to be paid for the actual railway, viz., about \$500,000 (that is about \$375,000 due to the Nova Scotia Government, and \$120,000 cash) was not as much as the selling value in the market of the road in its present condition. The real grievance was the surrender of the claims of the Company for compensation for the financial ruin inflicted on them by the failure of the Dominion Government to convey to them a good title to the Windsor Branch. This failure again arose out of the previous action of the Dominion Government in giving away a beneficial lease of the Branch to the Windsor and Annapolis Railway.

15. These were matters for which the Dominion Government were solely responsible, and our Company were naturally entitled to look to the Dominion Government to remove the difficulties which they and their predecessors had created. We had already gone a long way to meet the Dominion Government, by agreeing to take upon ourselves the burden of buying back from the Windsor and Annapolis Company should they establish a right to compensation, their lease of the branch. In strictness, we or any other Company completing the Railway from Yarmouth to Annapolis, should be entitled under the Resolution of the House of Commons of May 23rd, 1873, to have the Windsor Branch granted to us in fee simple, clear of all incumbrance, and in justice to the Province and to us, we contend that the Dominion Government ought to pay the compensation, if any, which may become due to the Windsor and Annapolis Railway Co. (upon the acquisition of their own Railway,) for their interest in the lease. Such contribution, while no more than is justly due to the Province and to our Company, would have enabled us to make more favorable terms with the Province, and have materially lessened the capital to be raised.

16. However, having accepted for the present, this burden, the question remained, how to deal with the claims of the Western Counties Railway Company. I ascertained that the Dominion Government had so far recognized these claims as to pass an Order in Council, under date June 9th, (appendix E) a few days after the debate from which I have given extracts, promising in effect, that if our scheme should fail to be carried out, the Dominion Government would assist the Western Counties Company to complete the line, by granting them a subsidy in the form of an annuity for the 27 years during which the Windsor and Annapolis Company claim the Branch under their lease. The order does not fix the amount of the annuity, but I understand that some value it at \$500,000 capitalised. Less than this, indeed, would be of little use to ensure the construction of the line, which will cost \$600,000.

17. I suggested to the Western Counties Railway Directors that if the above arrangement was carried out, although the line might be built, consolidation would not be obtained and that their bondholders would receive little if any direct benefit. Whereas,