

worth, addressed to the Secretary of State for the Provinces at Ottawa, the following language:—

"This line of railway is in course of construction by the International Contract Company, Limited, . . . . under a contract with the Province of New Brunswick, . . . . the International Company, is, I am informed, quite ready to negotiate on liberal terms for the transfer of the road to the Federal Government, and the Government of New Brunswick are willing and anxious that such transfer should be made; but it is expected that the subsidies advanced will be returned, and that the Province will be relieved from any further responsibility, excepting so far as they are liable under Confederation for their portion of the cost of the Intercolonial Railway."

I quote this to show that the New Brunswick Government were dealing entirely with the International Contract Company. According to Mr. Ketchum's own petition he made an application to Mr. Beckworth, who merely handed the matter over to the Dominion Government, with a request to examine into the facts. The matter was referred to Mr. Carvell and Mr. Boyd, who reported against it; and a curious fact to be remembered is that Mr. Ketchum refers to Sir Albert Smith and attaches a certain letter written by Sir Albert, and that the Government of which he was a member, on 1. th May, 1876, declined to re-open the question and rejected the claim. We know that the company made a final arrangement with Mr. Ketchum, by which they held the road, and if any claim exists against the Dominion Government, it is on the part of the International Contract Company, and not by Mr. Ketchum, who was a sub-contractor.

On Resolution 260,

To pay award in favor of Heney, Stewart & Co.,  
Contractors for works at Greece's Point,  
Grenville Canal ..... \$17,370. 00

Mr. BLAKE. Some further explanations were to be given on this item, and the hon. Minister has laid on the Table a statement. From that statement it appears that these works were let to John Stewart and John Heney, under the name of Heney, Stewart & Co., on 20th July, 1880, at schedule rates, which, when figured out, amounted to \$280,251. Then the works were taken out of their hands, and were re-let in January, 1881. The first contractors fell into arrears because they took the contract too low, and this award represents, in the opinion of the arbitrator, the value of the work they performed in excess of the amount of money they received. The Government was at a considerable loss on the contract. The contract for the remainder of the work let for \$251,014, being about 25 per cent. in excess of the rate to be paid for the work under the original schedule; so that the Government will lose something like \$40,000 or \$50,000 when the work is completed, assuming that the new contract is completed within the estimates. It seems also from the papers that the new firm to whom the contract was let, was composed of Mr Brecken, who was a sub-contractor with the original contractors, and John Nicholson, who was one of the original contractors, from whose hands the work had been taken. So one of the original contractors obtained the work at an enhanced price of 25 per cent. over the original rate, and it seems since that time another person has replaced Mr. Nicholson by arrangement. Thus the chain of transactions is this: Mr. Nicholson associated with others and contracted to do the work for \$280,000; they gave security to the amount of \$14,000 for the due execution of the contract; they failed, the work was taken out of their hands and re-let at an advance of prices which amounted to an additional sum of \$40,000 or \$50,000; the contract was re-let to one of the original contractors and to a sub-contractor. If that is the rule with respect to these transactions I do not see there is any advantage in taking security, because in this case, not merely is the security not forfeited, but also the amount which the contractors have expended in excess of what has been paid, is repaid to them, although

no less than \$40,000 or \$50,000 increased cost is rendered necessary on account of the enhanced cost under the contract which is re-let to one of the same parties. First, this party gets back his security; second, he is repaid all he lost, whatever he lost by having taken the contract too low; and third, he becomes a contractor once again at enhanced prices for the work.

Sir CHARLES TUPPER. The transaction is simply this: the contract was let to Messrs. Heney, Stewart & Co. They were the lowest tenderers, and their tender was accepted. The course that is invariably pursued by the Government in relation to these matters, is to accept the lowest tender, provided the security demanded is given. The Government have fixed the test of the *bona fide* tender by requiring a certain sum of money to be put in with the tender, and they then say to the lowest tenderer, "Deposit 5 per cent., which is required as security for the performance of your contract, and it will be awarded to you." These parties made the deposit. In the first place, their tender was formal and regular, and the lowest. Then, when we called upon them, they deposited the security within the time stated by the Government, and the Government gave them the contract. Their prices were very low, and they were not skilled contractors; still they were the lowest tenderers, and they deposited the necessary amount of security. The cost of labor, of material and of everything became enhanced; they became embarrassed, and were not carrying on the work with vigor; and when called upon by the Government to make greater exertions, they stated that unless we increased the prices, it was quite impossible to go on. They were utterly incapable of fulfilling the contract. Under these circumstances, the contract was taken out of their hands, and we re-advertised for fresh tenders. The lowest tender was Brecken & Co. Now, as to Brecken, my hon. friend has laid some stress upon the fact that he was a sub-contractor; but I do not think that this is anything to disqualify him. It was an additional reason for giving him the contract, because we knew that he had had practical experience of the work. He had had no connection with the contract so far as the Government was concerned, but he was intimately acquainted with the work, and Mr. Stark, the superintending engineer, declared him to be an exceedingly capable man, and a person who, he believed, would be a very successful contractor; and this was an additional reason for accepting their tender. Again, Brecken and Co. were the lowest. Now, I ask the hon. gentleman whether because we found that one of the parties to the former tender formed part of this company, we should have refused to accept the tender of a person who, we had reason to believe, would be a good contractor. I think I will settle that in a moment by reading the report of Mr. Page, the Chief Engineer of Canals, which was sent in with that tender, and leave it to the House to consider whether, with this report in my hands, I could do anything else than to ask the Government to accept the lowest tender. It is as follows:—

"OTTAWA, 2nd January, 1882.

"The Secretary of Railways and Canals.

"SIR,—As requested, I have examined the tenders sent in for the Greece's Point Works, Grenville Canal, the extension of the three lowest of which I have checked carefully, and find them to be correct, viz. :—

Tender B, in the aggregate amounting to.....	\$251,014
do K do do .....	267,115
do H do do .....	267,835

"The lowest, or tender B, is from Brecken & Nicholson, and amounts to about 25 per cent. more than the old contract rates, when applied to the quantities used in extending the new tenders. The old prices were, however, for the most part wholly inadequate; but those in tender B, although still low, are believed to be such as the work can be done for, and, with good management, leave a small margin of profit.

"Mr. Brecken is said to be a thoroughly practical person who, I believe, had undertaken to do the masonry for the firm of Heney, Stewart & Co., and from all I can learn would be likely to complete the work if allotted to him. I am not, however, aware that Mr. Nicholson has much, if any, practical knowledge in the way of executing such works.