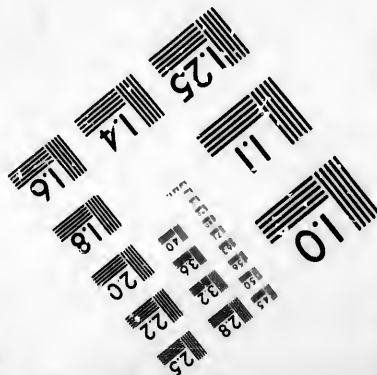
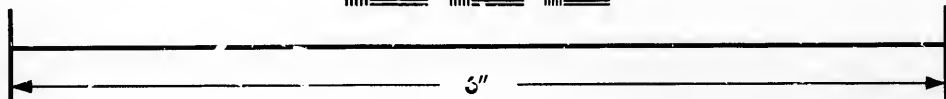
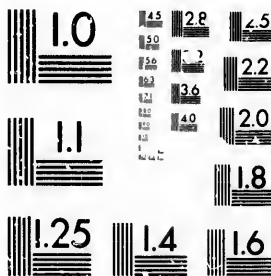


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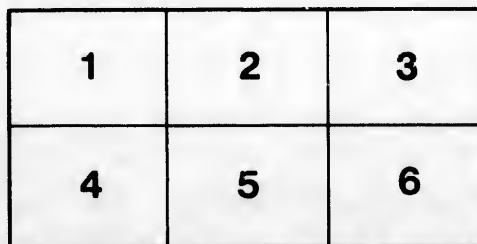
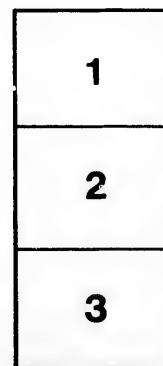
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"THE TIMES" & MR. POTTER

ON

CANADIAN RAILWAYS

A CRITICISM OF CRITICS

BY

EDWARD JENKINS MP

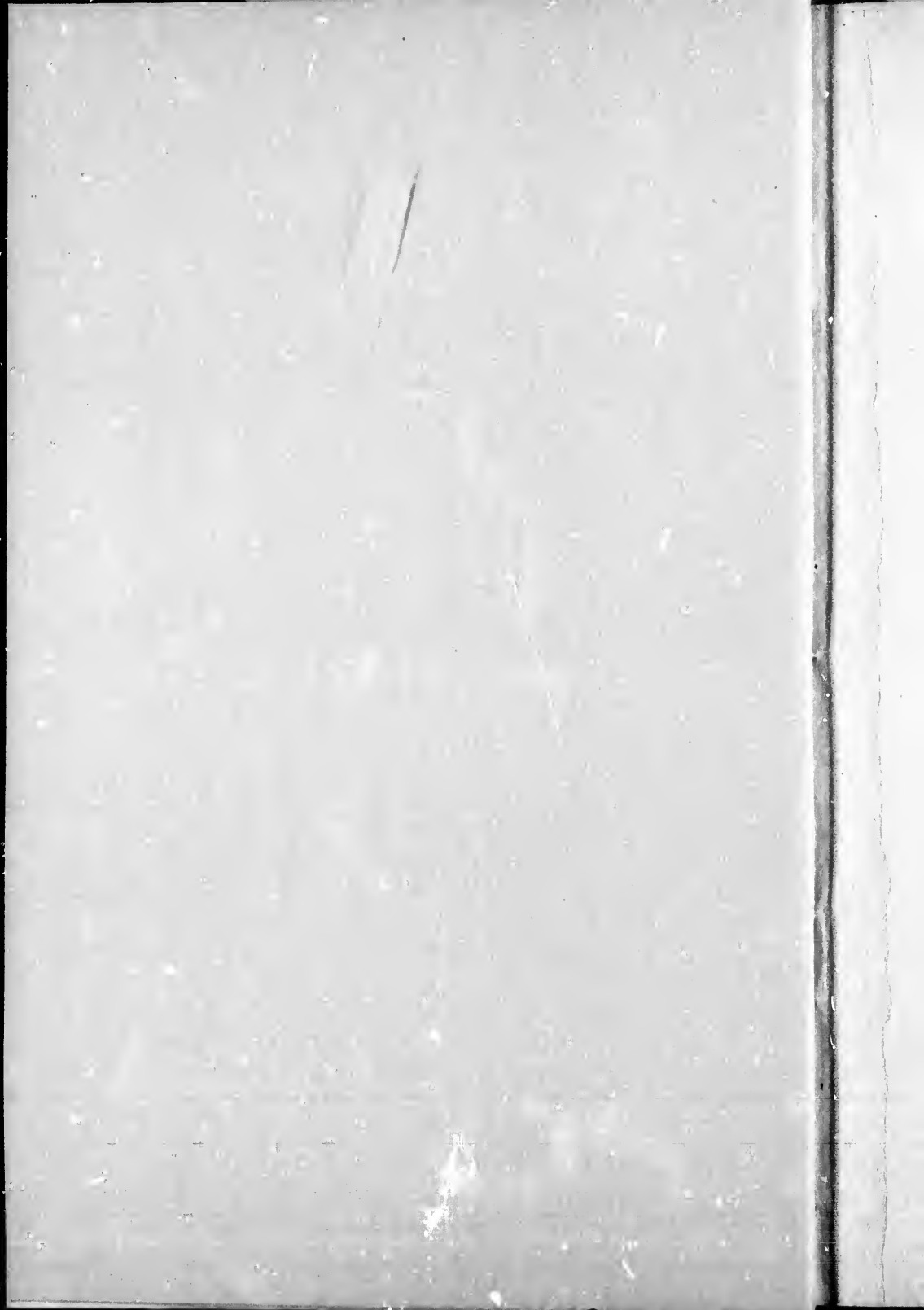
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1875.



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“ THE TIMES ” AND MR. POTTER
ON
CANADIAN RAILWAYS.

The following controversy was carried on in the columns of the *Times* from March 29th to April 22nd, 1875, when it was stated by the writer of the Money Article that it must positively cease. Doubtless its conclusion was a relief.

It is a very grave question how far in a case like the present the sacredness of the protection afforded in England to an anonymous writer in the Press ought to be regarded. It is a protection which for many reasons is essential to the theory of the functions of newspapers under the English system. On the other hand, this protection ought to be subject to some restrictions. There are things which ought not to be permitted: for instance, that men should, under the protection of anonymous criticism, be free to vent their ignorance or spleen, either against governments or individuals; to misuse that power of suppression which is undoubtedly, under certain conditions, essential to the dignity of the Press; to claim apparent victory when they have really been worsted, and try to carry it off by an anonymous arrogance swelled by the tremendous reputation of some great

journal, when a simple disclosure of their names would reduce their authority to its proper dimensions. In the present instance I consider that I am justified in declining to hold the *Times*, considered as a great entity, strictly to book for that which has been published in its columns; yet it is not worth while to disclose to the public the name of the person who has brought the *Times* into its present position. That the position is not a dignified one will appear in the succeeding pages. I am, however, quite disinclined to make this a question—as I am sorry to see it has been made by Canadian publicists—between Canada and the *Times*. I believe that what is termed the “anti-Canadian rancour” of the great leader of the English press is more of a bogey than a reality. Still, Canadians do feel that there is a running current of injury to them in its columns, and perhaps the Editor may be quite unconscious of it. I have often heard people complain of the unfairness of the *Times*. Inquiry into the cause of complaint has, however, most frequently convinced me that the *Times* was right and the complainant was wrong. Either the subject-matter of some suppressed letter was foolish, or the letter had been impertinent or imbecile, or its objects had been met by some better epistle, or there was some other reason to

justify the action of the editor. I have been writing letters to the *Times* now for nearly ten years on all kinds of subjects. Many have been conceived in a hostile spirit, others in a friendly. Of the former, many have been inserted; of the latter, many rejected. Sometimes I have felt hurt by the rejection of my letters; but in the majority of cases I have, on consideration, felt grateful to the editor for suppressing them. I cannot say how much I owe him for that kindness. It is said that an American editor once successfully frightened a too-busy correspondent, who was constantly sending him letters, which were never inserted, by the threat "that if Mr. S. sent any more letters to the office of this journal, they would be published." The number of instances in which the *Times* has suppressed inconsiderate communications ought to have gained for its editor universal gratitude and respect. Therefore I cannot honestly charge that great entity "*The Times*" with the full responsibility for what follows. I appealed to the principal editor from the writer of the Money Article, and my letter was inserted in the ordinary columns. I again appealed, and my letter was handed to him to be inserted, and was inserted, in the Money Article, with the remarks hereafter printed; but with erasures and alterations, to which I take the liberty of calling the reader's attention by

printing the omitted and altered parts in small capitals. On this, however, I make no comment. It is the first time that any letter of mine to the *Times* has been mutilated. Moreover, a very serious error occurred in the letter. I telegraphed to the *Times* to make the correction. It was the printing of \$5,000,000 for \$500,000, in relation to the Canada Southern local subscriptions. The correction had a most important relation to the argument, but it did not appear.

To refer the responsibility for these matters to the *Times* would be unfair, when I have in this and every other instance found the *Times* fair to me if I really had a ground of complaint and couched my remonstrance in courteous and proper language. No paper is bound to publish impertinences addressed to it by fools; but however strong a remonstrance is, if it is properly expressed and well grounded, it should have a hearing. With the *Times* such a remonstrance will, so far as my experience goes, get a hearing. In the present instance, however, the Writer of the Money Article has pursued a course rather embarrassing to his principals. When a man undertakes the highly honourable, responsible, and onerous duty of writing the financial review for the greatest paper in the world, whose articles are often turning points in politics or finance, whose opinions and criticisms are telegraphed

in every language to every land, he should be impressed with the dignity of the situation. The idea of the dignity of the situation entertained by the writer of the Money Article is indicated by the somewhat smart and flippant style of the comments which are herewith printed—a style, I venture to say, more fit for the columns of some weekly satirical newspaper than for the grave financial corner of the *Times* newspaper.

On the 29th of March—moved thereto by what inspiration it is difficult to conceive—the writer of the Money Article suddenly slaps out at a Canadian railway scheme, not at the moment, as I have been informed, before the British public, either by prospectus or advertisement, or by any paragraph appearing in an English newspaper. An endeavour was made to connect the advance in Canadian Railways with a prospective demand for an English loan to some new line. The reader will observe the tone of this first attack. It indicates that the great City Editor is watching the universe from the vantage point of some corner in the region of the Exchange: his eye sweeps the horizon of finance, and he is able at a glance to state whence come the winds and tides of perturbation. There is a movement in Canadian Railway Stocks. He instantly perceives its origin. It can only come from the attempt to float bonds for a

“resuscitated” railway scheme. The writer of the Money Article is careless about terms, so long as they sound well. The term “resuscitated” had no foundation in fact; but it is like Mesopotamia—a good and well-sounding word—so it goes in. “Disastrous history,” “miserable position,” “manipulation of stock;” these are strong expressions to use at the outset, and to be based on a mere supposition of the writer. Beginning with these double-distilled words, where is a man likely to end?

On the 1st of April the Money Article assumed a more oracular tone: “competition in a sparsely-peopled country like Canada” was deprecated; and the remarkable statement was made “that where the population is thickest, the people, we believe, will not travel by rail at any price;” and that “as against competing lines in the United States, the more thoroughly the Canadian system is welded together the stronger it will be.” These last lines are astonishing for one reason. They exactly express the views of the management of the Grand Trunk Railway. The principle involved in them is the subject of keen discussion in Canada. Many authorities on the spot believe that it is in a suicidal attempt to maintain this principle that Grand Trunk and Great Western managers have failed. I have, in my letter of

April 19th, simply for the sake of argument, contrasted the policy of through competition for Western traffic with the legitimate development of local traffic.

It is a fact rather eschewed by the two critics that Great Western and Grand Trunk were both built with a main view to through traffic from the West to the Ocean, and less as Canadian lines proper. They have failed in their chief aim. The Americans have beaten them, having a shorter distance to the seaboard, by several routes, of lines more cheaply constructed and better managed. The alternative policy would be to develop local traffic; but it may be admitted that to make this pay upon the enormous capital of these lines is a distant possibility or probability. But the success of these lines must be judged of by the policy adopted by the directors, and the policy adopted by the directors was to make them United States transit roads instead of Canadian local traffic routes. This increased expense, wear and tear, &c., and decreased chances of profit. The odium, therefore, which is now sought to be cast upon Canada is wholly unmerited. She has been a sort of *corpus vile* on which English directors have been making their experiments of competition with the Americans. What shadow of justice is there, then, in inflicting this odium on Canada or her people? What pretence of reason

for mixing up in one disastrous muddle these Anglo-American with other Canadian undertakings?

However, without regard to locality or circumstances, the writer of the Money Article went on to say, with somewhat loud and needless vigour, "that it is madness to speak of more railways." It will be observed his spirits were rising. He used such terms as "extortion," "madness," "ruinous," and even spoke of "a repute as bad as that of Honduras!"

Now, I have no hesitation in characterising the use of such language as this in the Money Article of the *Times*, upon a subject so gravely concerning the interests of a great colony like Canada, as unmerited and wanton in the extreme. And it is only the extreme language against which I protest. It will be seen directly how far the writer was able to justify it.

On the 3rd of April Sir Hugh Allan, as the representative of the railway which had been impeached, came upon the scene. I do not care to enter into the private controversy; I have not the slightest interest in it: but it is well to observe, as an indication of the spirit in which the discussion has been carried on through the columns of the Money Article, that the writer now and then drops insinuations as if they were of no consequence. He had hinted that the rise in Canadian Rail-

ways was connected with the approach of a financial proposal, afterwards acknowledged to be the Northern Colonisation Railway, and that the scheme was a "resuscitated" one. Meantime he has obtained better information. For "resuscitated" he now substitutes the words, "renewed effort to get money.—It was first heard of in 1872." This is his method. Perhaps he has found it to succeed elsewhere; but in writing Money Articles for the *Times* he is writing for the sharpest eyes in the world, and they look for accuracy, information, wisdom, and no perversion in those articles.

Take a statement on this particular occasion — "Ottawa, with a population of some 25,000, and as much out of the region of business as Washington." Now, the population of Ottawa, and its suburb Hull, is about 35,000. That does not much affect the argument; but it is well to be accurate. The trade of Ottawa is the trade of the sixth or seventh city of the Dominion. Its lumber business is enormous, and I can testify that its rate of increase and the character of its improvements are wonderful, even to one familiar with the rapid growth of American cities. Again, "what trade the district has chiefly lies at Prescott." A simple absurdity. Prescott is not fairly in the district, nor has it the pre-eminence in trade. But I observe from a pamphlet before me that

Sir Hugh Allan sent a letter refuting these statements, publication of which was refused, and which he has since printed. Admission was denied to this and other letters, because they were "long," and because the subject had already been "sufficiently dealt with." A few days after, a prodigious letter from Mr. Potter on the other side was inserted. As for sufficient dealing with the subject, it is plain to anyone that up to that day the writer of the Money Article had himself played three hands in the rubber. Moved by Sir Hugh Allan's long expostulation—which we may presume he had read—the writer then broke beyond bounds, and the oracle almost raged in a passion of prophecy. "No amount of argument can, we should hope, lead sensible people in this country to put more money into railway projects in the Canadian Dominion, for not only is there no traffic for such railways, but, supposing there were, their owners are exposed to the constant danger that the Dominion Parliament may grant a subsidy for a competitive railway to run half a mile off."

Thus "sensible people" were invited to take notice, at the very outset of a new and magnificent career for Canada, that Canadian railways were likely to prove an abortion and a peril, and that the Government of Canada and Canadian private speculators were equally deficient in in-

tegrity and in common sense. Further, Canada Southern had been built to run half a mile off Great Western with the aid of a subsidy from the Dominion Government.

At this point I felt it my duty to interfere. The writer of the Money Article was not only aiming at this or that railway—a perfectly proper and wholesome thing, if fairly done—he was flying at higher game—at the Government of Canada, the credit of its people, and at its prospective railway development. In fact, we were to understand that whether for small railways or large, local or Government, if Canada ventured to approach London with insidious proposals for the British capitalist, the wielder of that mighty power the Money Article of the *Times* would stand in the breach and defend the nation.

It was a very delicate and difficult duty—to discharge it was likely to involve me in all sorts of suspicions; but I felt that it was time to challenge these wild and wanton generalisations. The position of Canada is at this moment a peculiar one. I venture to assert that there is no country which presents to the world so well-founded a promise of an immediately brilliant and successful future. She is passing through the first stage of a great political and national re-construction. The full results of Confederation are only begin-

ning to appear; but what have been the immediate effects may be judged of from some of the facts taken from the latest official authorities which I shall append to this pamphlet. In the Maritime Provinces a provincial combination is in a fair way of arrangement which must produce important social and economical results. The Dominion Government has undertaken to open the great West to the European emigrant, and will do it by railways constructed under its own authority, and which, if they come before the British investor at all, will do so in a form certain to recommend itself to his confidence. Population is pouring in; the uninhabited parts of the old provinces, especially of Ontario, are filling up; exports and imports are multiplying, production is increasing, the shipping trade and the tonnage are raising Canada to a high rank amongst maritime nations. She is striding along, and to aid her in her progress she is building railways, some of which will undoubtedly, if well and economically built, equipped, and managed, be good investments. And in face of this we are to be met with the preposterous objection, "No; Grand Trunk and Great Western do not pay on an enormously excessive capital. To make them pay there must be monopoly or combination. At all events, until these pay you ought to have

no more money from England." All that I say in reply to this is, that it is a wholesale and sweeping principle, maintained in the interests of monopoly and against the best interests of Canada; a principle obviously unjust, since it is based solely on a past experience, in which English mismanagement has almost wholly contributed to the unfortunate results, and it takes no account of improving conditions or of the possibilities of better management.

I then wrote to the *Times* my letter of the 9th ult., herewith printed, in which I simply asked the Editor to allow me to object to the too-sweeping criticisms of the Writer of the Money Article. It will be seen that the letter keeps clear of any particular undertaking, and simply takes exception to those extreme, general, and inaccurate statements which involved the credit of the Dominion and its people. Moreover, I suggested a number of queries with regard to the past history of Canadian Railways and the connection of their disasters with English blundering; queries which it will be seen no one has even attempted to answer. If it were possible to suppose that a number of Canadian capitalists could be found capable of investing money in impracticable undertakings, of building railways at excessive cost, and of carrying out a policy of absorption and competition, which, even in such

a populous country as England, would be ruinous, there could be no more public benefactor than the Writer of the Money Article in the *Times* were he to assist in exposing the delusion. But there is a great difference between that and telling the public that in a country springing into life with a vigour and rapidity which challenge competition, there is not and cannot be for many a long year an opportunity of safe investment in the railways which are to develop its resources, and to assist in placing its population. I desire to keep to this point. I see how hard it is to dispute the unjust portion of the remarks in the *Times*, and yet admit to the full every word that is correct. I have striven to do so, and I think, upon the whole, after carefully reviewing what I have written, that I may claim to have tolerably succeeded.

On the 15th of April the Money Article returned to the charge with some animadversions upon my letter. My answer was contained in the letter of the 9th, and to that I have little to add.

I merely wish to draw attention to the inconsistencies of the arguments furnished by the *Times* and its correspondents. On the 15th of April the Money Article contained a letter from Mr. Lewis Paine. The article alluded to the letter with obvious approval. In the article

were these words, in the same injurious line of insinuation previously pursued :—"Canada has not dealt fairly by herself nor by the English investor, and no principle can be more sound or just than that which rules that Canada shall have no more English money until she has mended her ways." These be brave words. One would think the *Times* arrogated to it the power to change the course of finance. It is always owning the omnipotence of the law of supply and demand: but here pique and prejudice are to shut up the floodgates of investment. I apprehend that, in spite of this somewhat sentimental principle of business, railways in Canada will be built where they are wanted, and all the newspapers in Great Britain can no more dissuade the British investor from "going into" them under such circumstances than they could stop the tide at London Bridge with one of their issues.

But take Mr. Paine's statement *per contra*. "The Canadian lines have been made by foreigners." If they have been made by foreigners the responsibility of the management must very considerably rest with foreigners, either directly or indirectly, and it cannot be correct to say broadly that "Canada has not dealt fairly with the English investor." The more Grand Trunk and Great Western history is studied the clearer will

this appear. The responsibility for nearly all their troubles rests upon English management. This let any one challenge and disprove. For this reason I protest strongly against the attitude assumed by Mr. Potter, and supported by the *Times*. I believe that everybody in or out of Government in Canada is prepared to do justice to these great railways, which have no doubt done much to develop her two most eminent Provinces; but they cannot be expected to allow English boards to pursue a policy for which all on the spot decline responsibility or approval, and to bind up all the interests of Canada with those of what Mr. Paine is good enough to call "foreign" investors.

The letter of Mr. Potter—which is printed herewith, and to which my letter of the 22nd was also a reply—was certainly an important contribution to this discussion, approved as it was by the writer of the Money Article as "graphic and veracious." I think it will be generally admitted that, even granting that judgment to be correct, it was eminently impolitic. I do not think it necessary to inquire what motives inspired the President of the Grand Trunk in writing that letter. Whatever may be said about the past history of his railway, its interests are inextricably interwoven with the interests and progress of Canada. The time must come, and is not

far off, when, even for the benefit of the Grand Trunk, it will be necessary to have connecting and radiating lines of railway running into the newly-opened districts. The improvement of Canada, the progress of Canada, does, to a large extent, depend upon the construction of such lines; and although it may for the moment serve the turn of the President of the Grand Trunk to abuse all Canadian railway enterprises, the time may come when he will have to regret his too-successful aspersions.

I am bound to say of the remarks with which the Writer of the Money Article closed the discussion, that they were written in a better style and in a somewhat better spirit than those which had preceded them. It is to be observed that there was an incidental attempt to explain the "broad fact" stated on the 1st April, "that where the population is thickest the people will not travel by rail at any price," by converting it into "the French part of it (*i.e.*, about one-fourth) mostly refuse to patronise the railways." An answer was then offered to some of my statements. It was alleged as to the capital borrowed by Canada from England for railway purposes:—"we find that the gross total now traceable in the Stock Exchange List is £40,994,000, exclusive of a loan of £2,000,000 raised in 1867 for the Inter-Colonial Railway, £1,500,000 of which

bears the guarantee of England." The following is, I believe, a correct statement of the amounts advanced to Canada on railways, as appears by the Stock Exchange Lists, from which I again deduct the £6,075,000 discount on the issue of Grand Trunk stock in 1873, which was so obviously a toss-up for a chance of profit that it is unfair to charge that large amount against Canada as advanced for her railways.

STATEMENT OF CAPITAL IN CANADIAN
RAILWAYS,

WHICH HAD BEEN WHOLLY OR IN PART SUBSCRIBED
IN ENGLAND.

Taken from the London Stock Exchange Year-Book, 1875.

Buffalo and Lake Huron Railway—			
Share Capital	£525,195		
Bond Debt	763,758		
			£1,288,893
Canada Southern Railway—			
Bonds Issued		200,000	
European and North American Railway—			
Bonds Issued		416,000	
Great Western Railway of Canada—			
Share Capital	£4,459,310		
Bonds and Debentures	4,193,240		
			8,657,550
Levis and Kennebec Railway —			
Bonds Issued		100,000	
Midland Railway of Canada—			
Bonds still in force		264,000	
Northern Extension Railways—			
Bonds Issued		173,900	
Northern Railway Company of Canada—			
Bonds Issued		685,000	

This Company has also a share capital of £167,507, and a Government debt of £475,000, both amounts held in Canada.

Toronto Grey and Bruce Railway—				
Bonds Issued	...	...	...	£247,000
Wellington Grey and Bruce Railway—				
Bonds Issued	...	...	...	118,300
Grand Trunk Railway—				
Ordinary Stock	...	£10,925,144		
Less Discount on last Issue		6,075,000		
				<hr/>
Actual Cash paid	...	£4,850,144		
Debentures and Bonds		15,704,191		
				<hr/>
				20,554,335

In addition the Grand Trunk has received from the Canadian Government and the Bank of Upper Canada the sum of £3,332,690; but it is said that fully a million of the Grand Trunk expenditure has been on their leased line, the Buffalo and Lake Huron.

Total	...	<hr/>	<hr/>	£32,704,078
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It ought to be stated that many of the Bonds of the Railways were issued at a discount; but except in the flagrant case of the Grand Trunk's last issue of stock no credit has been taken for such deductions.

I, of course, know, as the writer suggests I ought to have known, that railways in their accounts always reckon capital by its gross nominal amount, and that they do so because it is the only just way of looking at their liabilities. But a case such as that to which I have referred is clearly one that ought to be excepted; and, at all events, no one can have a right to charge against Canada over £3,000,000 advanced by the Canadian Government. Besides, the original statement made in the Money Article was in these words, "Thus, the Grand Trunk Railway, on which NEARLY £30,000,000 HAS BEEN SPENT ALTOGETHER,

five-sixths of it being English capital." It is clear, therefore, that the Money Editor of the *Times* cannot ride off victorious on the plea that the accounts of Grand Trunk Railway state "capital expended" to be £29,900,000, including the discount of the last ordinary issue.

I need not go over the discussion about Grand Trunk and Great Western again, because I have dismissed them on the very ground, which will be admitted by everybody who knows the history of those undertakings, that they are not a fair specimen of railway management in any country, and that it is not upon Canadian mismanagement that their failure is chargeable. Not even the injurious competition so heartily complained of is wholly due to Canadian "recklessness." The Writer of the Money article seems to think that reiteration of the disasters of these undertakings is a sufficient justification of his attempt at a wholesale slaughter of Canadian Railways.

Let me, however, call attention to one very important reflection in Mr. Potter's letter. He states that there are already 4000 miles of railway in Canada, and 4000 more projected, to only 4,000,000 of people. The latter statement is an exaggeration, but let it pass. Supposing it were admitted; let this state of things be compared with the population and mileage of some Western

States. The population of Ohio is 2,770,000. She has 4,258 miles of railway, constructed at the great average cost of 74,254 dollars per mile. The percentage of dividend to capital stock is 3.22. The population of Illinois is 2,790,000. She has 6589 miles of railway, which cost 47,486 dollars per mile. The percentage of dividend to capital stock is 5.22. The New England States have a population of 3,640,000, with 5314 miles of railway, averaging 6.36 per centum of dividends to capital stock. Excluding Government railways through thinly-populated districts, and taking the population of the Maritime Provinces, Quebec and Ontario, at 3,300,000 in connection with their present rate of increase, the existing railway system, instead of being as overgrown as Mr. Potter would have the British public to believe, is but imperfectly developed. The 4000 miles of railways alleged to be impending in Canada includes at least 3000 miles of the Government railway to the Pacific through the vast territories of the North-West, and Mr. Potter will be hard bested to find the whole of the other thousand miles more of *bona fide* schemes of railways projected in the older and more inhabited Provinces.

I submit, therefore, that Mr. Potter's vast generalisations have little importance. They should induce caution on the part of projectors

and of investors, Canadian or British, but they are far from justifying the general aspersions of the two critics.

The injustice of the line of argument pursued in the Money Article and by Mr. Potter is clear from two considerations. In new and unopened countries railways are the most cheaply constructed means of communication, and their success is a question of the extent of their grants and privileges from the Government, and the judgment with which they are projected, having regard to route, termini, and the character or resources of the country. The second consideration is, that the worst disasters of Canadian Railways scarcely transcend the misfortunes of roads in a country so favourable to railway development as Great Britain. It must always and everywhere be a question of the prospects of each particular scheme, *and the management*. These are reasons why I deprecate the sweeping reflections of the *Times*, and its "graphic and veracious" correspondent. To damn Canada in the Stock Market and in Lombard Street by threatening to associate her with Honduras is a wilful and almost wicked piece of perversity. It must be left to the reader to judge how far it has been and can be justified, and to brush from his mind any of those wild prejudices which such imputations may create. Then he may fairly

turn again to consider any proposal which is presented to him in the light of Canadian improvement, vigour, and promise, and accept or reject it by the test of its practicability or its absurdity.

I must, before I conclude, say a word or two about the origin and meaning of that general discredit which it is sought from so many quarters to bring upon Canada in relation to her finance. A country with her resources, and with a debt of only a little over £6 per head, exhibiting such evidences of progress as are shown by the few figures with which I supplement this article, can only be hooted out of the English market by some interested conspiracy of persons who have found that their interests did not coincide with hers. Whether there is any open evidence of a conspiracy—or even a fortuitous concurrence of antagonistic atoms—I will not here presume to say. But I have observed, both in the *Times'* comments and in those of other newspapers on Canadian financial schemes, an indication that there is somewhere a powerful party endeavouring to excite a feeling in the financial world of general antagonism to Canada. Who is this party? In a long article in the *Railway News* upon the Government and Railways of Canada, a contrast is drawn between the despatch of Lord Elgin in 1853, and the then

avowed policy of a Government formed by a legislative union of only two provinces, and the policy of the existing Government of a great Confederation. It is said, "a policy which recognises only the material interests of the country, which places no value upon national credit or reputation, and which, in pursuit of the most shadowy and imaginary benefit to itself, has recently endeavoured to coerce a British colony beyond its own jurisdiction into consecrating the rights of those who have brought the Dominion into telegraphic communication with Europe, is that which has been deliberately adopted by a Government which displaced an Administration that did not hesitate to sacrifice public interests for private gain." I draw attention to this paragraph as a significant indication of one quarter from which much of the present antagonism may possibly spring. The interests of a late Governor-General of Canada and a number of his co-adventurers have been affected by the just and necessary action of the Canadian Government to prevent a monopoly which was interfering with the facilities of trade and of Imperial communication. I am not going here to discuss the Telegraph Bill of the late Session. It is enough to say that anyone acquainted with the subject will admit that no more bare-faced attempt to maintain unrighteous monopoly in the

teeth of national interests has been made since the days when monopolies were bought and sold in Whitehall, than that which a powerful company, carrying with it strong financial and political support, has made to retain its injurious rights, and to injure the credit of a country and Government which had the resolution to recognise and to check its arrogant pretensions. The Anglo-American Telegraph Company, having succeeded in stopping the first Bill, had ample opportunity for convincing the Canadian Parliament, which gave it a fair hearing, that it had any rights which that Bill unjustly disregarded. And yet it would appear, from such hints as those in the *Railway News*, that there are people who would fasten upon Canada the stigma of bad faith, and discredit her in finance for the correctness of her policy.

In conclusion, I may say that, though this discussion has been a warm one, I trust it will not be without its good effects, and that it will leave no ill-feeling to follow it. Interest, either of pocket or reputation, may blind men to facts, or lead them to look at them incorrectly. Or a man's anxiety to do the public an honest service may carry him beyond the bounds of fair play and into the region of exaggeration and misrepresentation. Then comes the clash of opposing

opinions, and out of them grows the sober truth. That I should have found myself obliged to differ with two such authorities is a matter of regret to me. I trust that out of my share of the discussion they can find, on a quiet review, nothing to condemn in either spirit or intention.

A FEW "BROAD FACTS."

The following statistics are drawn from the official reports submitted to the Dominion Parliament, and demonstrate a remarkable advance in the wealth and enterprise of the country, especially during the last seven years, since Confederation took place:—

POPULATION by census of 1861	3,090,561
" " 1871	3,485,761
Or, including British Columbia, Manitoba, and Prince Edward Island	3,718,745
Now estimated at	4,000,000
IMMIGRATION in 10 years, 1861 to 1871 ...	204,698
" 2 years, 1872 and 1873 ...	86,628

DEPOSITS IN SAVINGS BANKS.

Balances, June 30, 1868	\$1,687,807
" " 1869	2,451,339
" " 1870	3,411,418
" " 1871	4,569,296
" " 1872	5,250,733
" " 1873	6,165,221
" " 1874	7,210,260

NOTE.—Manitoba joined in 1872, British Columbia in 1873, and Prince Edward Island in 1874.

BANKING CAPITAL OF THE DOMINION.

June, 1870, returned at \$29,801,013	
Sept., 1874, " 71,766,666	

GENERAL TRADE OF THE DOMINION.

1860 ... Value of Imports and Exports ...	\$ 68,955,093
1867 ... " " " ...	119,797,879
1868 ... " " " ...	131,027,532
1869 ... " " " ...	130,889,946
1870 ... " " " ...	148,387,829
1871 ... " " " ...	170,266,589
1872 ... " " " ...	194,070,190
1873 ... " " " ...	217,304,516
1874 ... " " " ...	216,756,097

The returns for 1860 and 1867 are for the two Canadian Provinces only ; from 1868 the Maritime Provinces are included. In 1872 Manitoba and British Columbia figure for the first time, and Prince Edward Island appears in the 1874 returns.

FIRE INSURANCE BUSINESS.

1869	...	Amount Insured	...	\$161,475,621
1871	...	"	"	230,753,891
1873	...	"	"	275,754,835

LIFE INSURANCE RETURNS.

1869	...	Amount Insured	...	\$35,680,003
1871	...	"	"	45,409,769
1873	...	"	"	77,500,896

SHIPPING OWNED IN THE DOMINION.

By last return it is stated to be 1,200,000 tons, making Canada the FOURTH LARGEST SHIPOWNING COUNTRY IN THE WORLD, ranking next to its neighbour and rival the United States.

RAILWAYS OPENED AND WORKING IN THE DOMINION.

In 1874	...	...	Miles 3850.
Traffic in 1872 on 2508 miles, for which returns were given	...	...	\$15,436,018
Traffic in 1873 on 2639 miles, for which returns were given	...	...	17,139,876
OR EQUAL TO	£23	13s. 4d.	PER MILE PER WEEK IN 1872.
"	£25	"	" IN 1873.

These returns include the Inter-Colonial Railway—a line built for strategic and Imperial reasons, at the instance, and partly at the cost, of the Imperial Government, and which it is well known cannot obtain traffic sufficient to pay its expenses, but is always dependent on Govern-

ment aid. However, in spite of this depreciating element, the returns for 1873 show, on the whole, Canadian lines which give returns, on a basis of 75 per cent. for working expenses, £6 per week per mile clear, or enough to pay a 5 per cent. dividend on a cost of £6000 per mile—a figure at which it is said lines could easily be constructed and equipped.

TELEGRAPHS.

As a final indication of the activity of Canadian business life, I give the STATISTICS OF TELEGRAPHY from one company only:—

1873—offices open, 1118; messages sent, 1,633,282.

The following articles have appeared in the *Nation*, *Globe*, and *Mail* of Toronto, and I insert them to show how the unreasonable attacks of the *Times* have been received in Canada.

(From the *Nation* of Toronto.)

There cannot be the least objection to the London *Times* advising its readers as to good and bad investments. But it is invidious and unjust to single out a particular country, as it recently did in the case of the Dominion of Canada, and condemn all its railways and its people without sufficient reason. It is not alone in Canada that competitive lines are being built, and the Great Western is not the only line that has its Canada Southern. Competition is a law of railways, steamboats, and all branches of commerce in all parts of the world, England included, and if the *Times* wishes to combat this principle it need not cross the Atlantic to find an example. As to the alleged

damage done to the Great Western by the Canada Southern, it is the opinion of many here that Great Western losses are due to another source than competition—namely, mismanagement. That the losses are severe is undoubted. From the last half-yearly report of the Company we learn that the nett receipts are £78,000 sterling less than in the corresponding half of last year. But we have nothing to show us that this falling off is due in whole or even in part to competition. Very possibly a general decrease in trade, and an unusually severe winter may have had something to do with it. We would also draw the attention of the *Times* to the fact that in some cases, at all events, Canada has to thank Imperial policy for our railroads being built in such a roundabout direction that they thereby invite the construction of competitive lines. The Inter-Colonial, costing its millions, and built on strategic principles, is a case in point. The railroad contemplated in British Columbia, which is estimated to cost over two millions, is another instance of a political railroad for which the Colonial Secretary is responsible. If the *Times* has a case of complaint against Canada for building competitive lines, Canada may, in some instances, plead as her justification the Imperial policy that necessitates them.

(From the *Toronto Globe*.)

The London *Times* has, it appears by a cable telegram we published yesterday, given one of its wild and reckless lunges at Canadian credit. The *Times* warns the people of Great Britain to distrust Canadian railways. "No amount of argument can, we should hope," exclaims the *Times*, "lead sensible people in this country to put more money into railroad projects in the Canadian Dominion, for not only is there no traffic for such railways, but, supposing there were, their owners are exposed to the constant danger that the Dominion Parliament may grant a subsidy for a competitive railway to run half a mile off. In this way the Canada Southern has been built, to the ruin of the proprietors of the Canada Great Western. If the

belief in the value of schemes such as we have just criticised is too profound amongst Canadians, as we are told, we say again, let them find money at home. Millions enough have been presented to the Dominion already by this country."

The *Times* should be sufficiently well informed to avoid being led into making allegations so wide of the truth. The assertion that there is no traffic for Canadian railways is directly disproved by the facts. It is certainly not a want of traffic that has got the Great Western of Canada into difficulties; nor is that the cause why the Grand Trunk has presented such unsatisfactory balance-sheets. If the Grand Trunk had been built as economically as the Canada Southern was built, it would long ere this have paid regularly good dividends on its capital.

Equally wide of fact is the suggestion that the success of a railway may at any moment be perilled by the "Dominion Parliament" granting a subsidy to a rival line. The Dominion Parliament, it is unnecessary to say, does not subsidise railways at all, except in so far as they form part of the Pacific Railway scheme. There has never been, nor is there ever likely to be, a single instance in which the Dominion Government has subsidised, or will subsidise, "a competitive railway."

Oddly enough, the *Times*, to make out its case, stumbles upon a railway that is not even within the jurisdiction of the Dominion Parliament—the Canada Southern—which derives its existence from the Ontario Legislature. Moreover, the Canada Southern was built without one dollar of subsidy from the Ontario Government. True, the Ontario Government aided by a small bonus a short branch road of the Canada Southern at its western extremity; but that grant was made long after the Great Western had become involved in its present embarrassments. Unfortunately for the Canada Southern, it has never yet been in circumstances to "ruin" any competing line. If anybody wants to know why the Great Western of Canada is in difficulties they have only to look at the report of the late Committee of Investigation to find out all

about it. There has been plenty of mismanagement; plenty of foolish competition between the Great Western and Grand Trunk; plenty of equally reckless rivalry between those companies and American railways; but as yet to talk of the Canada Southern as having ruined the Great Western is in the last degree ridiculous.

The *Times*, in its attempt to injure Canadian enterprise, has shot altogether wide of the mark. But its tendency to strike haphazard at Canada has before now made the *Times* look exquisitely foolish. Its geographical knowledge of Canada has more than once been as helplessly at fault as its notions about Canadian credit or its ideas of Canadian politics. It might know that Canadian railways are largely built on the credit of the entire real estate of the municipalities through which they severally pass, pledged by the people, who have a direct interest in their construction. The amount contributed by the foreign bondholder is therefore far short of the actual cost of the road, the balance being represented by grants from the Provincial treasuries, municipal bonuses aforesaid, and a stock subscription. Unless, then, there be a fraudulent or wasteful misapplication of the funds, the bondholder must possess an excellent security.

It is to be regretted that the *Times* should have rushed into error so hastily, because it might otherwise have appeared in the perfectly legitimate character of a friendly mentor. No Canadian need complain if a caution is now and then extended to English capitalists to be wary in making their investments in Canadian or any other securities. There are bad investments, doubtful speculations, roguish "promoters" in Canada as elsewhere. There are, too, at times, projected railways that had better wait till a future day. But all such schemes should stand upon their own merits. If the *Times* would employ its ample resources in a searching inquiry as to the *bona fides* of applicants for loans, the promise of the undertaking seeking aid, and the value of the security offered, it would be doing good service, and strengthening Canadian credit into the bargain, by sifting out the chaff from the wheat. But in this

ruthless onslaught upon every Canadian railway, constructed or projected, it shows, not honest discrimination, but ignorance and malice.

(From the *Toronto Mail*.)

We to-day publish another letter from "Senex," a correspondent whose first communication (the coincidence is worth noting) appeared in these columns about the same time that the great organ of Printing House Square commenced to open its batteries on railway enterprise in Canada. We endeavoured to show a few days since that the remarks quoted from the *Times*, and cabled to America, were but part of a systematic attempt to lessen public confidence in England in railway enterprise in Canada. Though "Senex's" second letter is much of a piece with what has appeared in the *Times*, it narrows itself down to the denunciation of Mr. Fowler's scheme of a direct railway between Toronto and Ottawa. It is certainly suggestive that the "Thunderer's" adverse criticisms should have arisen out of Sir Hugh Allen's attempt to raise money to push forward a road which the Grand Trunk Company chooses to regard as a rival line—though that it will be a rival line no one who understands the geography of Canada can for a moment suppose—and that "Senex's" letter bristles with a fear that a more southerly line than the Northern Colonisation may compete for trade with the shore Grand Trunk line of which Mr. Potter is for the moment the presiding deity.

We feel constrained to put forward this view, to temper the degree of weight which may be attached to discussions simultaneously appearing on both sides of the Atlantic. We quite agree with our correspondent, that the way in which railway aid has been granted by the Ontario Government has been of the most hap-hazard, thoughtless kind. We believe it would have been much better to have adhered to Mr. Sandfield Macdonald's Act than to have subsidised lines running here, there, and everywhere; but we should have gone beyond it, and, as "Senex" suggests, supported really national lines by

giving to them a much heavier subsidy than that Act provided for. Let us not be misunderstood, however. While the Government and the municipalities may in some cases have given bonuses without due consideration, it is absurd to say that in a province developing as rapidly as Ontario the limit of railway enterprise has been reached, and that we must now fold our arms and stand still.

It is very convenient for English journals, whenever it suits their purpose, to point to the large amount of English capital which has been sunk in the Grand Trunk Railway. The times in which the prospectus of this company was written have long since passed. The substantial basis of all Canadian railways in recent years has been Canadian gold, whether private, municipal, or from the public treasury. Every shilling of English money invested in them has paid a good dividend to the investor, and it is not likely that there will be a failure of payment on any one of them. Should any of the roads built within the past ten years prove unfortunate, it is not the English bondholder who will suffer. The *Times* travels out of its way when it seeks to discourage the investment of English capital in railways in the Dominion, and those persons in Canada who pull in the same harness with the "Thunderer" have regard for vested interests rather than for the country's development. Mistakes of the past, while they may be used to guide us in the future, need not, and should not, convert us into sluggards and croakers. There are important railways yet to be constructed in Ontario, not to speak of the whole Dominion, and we doubt if Englishmen having a surplus of means will readily find a better investment than the mortgage bonds which will constitute a first lien upon them.

THE *TIMES*, MR. POTTER & MR. JENKINS.

The following are the extracts from the Money Article, Mr. Potter's letter, and my replies:—

TIMES, March 29th, 1875.

“Erie Bonds and Shares on higher prices from New York show an important advance, and Canadian railway quotations were likewise better, notwithstanding the exceedingly unsatisfactory statement of the Great Western of Canada regarding the results of the past half-year, which shows a deficiency of £14,000 in the amount necessary to pay the debenture interest for the past six months. * * * * The advance in Canadian Railways is also difficult to account for, if it be not connected with an attempt to float bonds of a resuscitated railway scheme about which there has been a good deal said of late. The disastrous history of railway enterprise in Canada in the past, and the miserable position of most of the existing lines may well make some manipulation of their stock necessary as a preliminary to a new effort at borrowing—an effort which, for the sake of the Dominion as well as of the English investor, we hope will prove entirely abortive.”

TIMES, April 1st, 1875.

“A telegram has been received by the Presidents of the Grand Trunk and Great Western Railways of Canada from the General Manager of the former line, Mr. Joseph Hickson, which runs as follows:—

“We have settled all rates and fares on equal terms over the whole field of competition. They go into force at once.’ This is a very satisfactory step, and likely to improve the position of these properties if fairly carried out. Competition in a sparsely-peopled country like Canada could do neither railway good locally, and where the population is thickest, the people, we believe, will not travel by rail at any price, and as against competing lines in the United States, the more thoroughly the Canadian system is welded together the

stronger it will be. At the same time the mere fact that this policy is the first requisite to any solid improvement in the financial position of even the strongest Canadian lines proves how hopeless any further competitive schemes must be—schemes such as the North Shore or the Northern Colonisation lines, to which we alluded some days ago. When traffic is so small that the public are safe from extortion after all competitive action has been withdrawn, it is madness to speak of more railways. They would, at all events, prove ruinous to British investors, and cause the name of the Dominion to be in as bad repute as that of Honduras.”

TIMES, *April 3rd, 1875.*

“We are glad to publish the following letter,* because it affords the best evidence we could have got of the nature of the enterprise which we condemned and still condemn, so far as it is offered as an investment to the English public. The Northern Colonisation Railway is, as is here admitted, a section of the great scheme involving the construction of the Canadian Pacific, and the ‘North Shore Line,’ the latter being in direct competition with the Grand Trunk Railway, the past struggles of which ought to prevent enthusiasm. We have, however, no motive to defend that railway from competition; if people think that where one does not pay, two may, we can have no objection. Our purpose is simply to point out to the English public that this renewed effort to get money (it was first heard of in 1872) for those railways ought to meet with no encouragement here. Taking the geographical positions as laid down by Sir Hugh Allan, what are the facts warranting the supposition that such a railway as his can hope to be worked with a chance of profit for, say, the next twenty years? It runs between Ottawa and Montreal, the former city being the Dominion capital, with a population of some 25,000, and as much out of the region of business as Washington. There is already a railway to it through a more populous country, and in direct contact with the system of the United States, where what trade the dis-

* Letter referred to was one from Sir Hugh Allan.

trict has chiefly lies at Prescott, by which the lumber traffic, almost the only carrying trade there is, can be better conducted than it could be by the Northern Colonisation by way of Montreal, where the Grand Trunk has a bridge over the St. Lawrence, but where it would have none. There is no business, then, between the two termini worth competing for; but possibly there is some on the route that might be capable of keeping a line alive. We should much like to know where? The country to the north is empty of people; to the south nearly so; and in the south the line has, or will soon have, to compete with the other more direct routes between the political capital and Montreal. Such is the Canadian mania for railway building. It would have to compete in the bulk of its wood carrying with two rivers, besides the Ottawa, the St. Lawrence, and one existing railway, the Ottawa and Prescott, eastward, while the Canada Central is fully equal to all the trade west and south, and there are no passengers to carry. The 100,000 odd of Montreal have little business in Ottawa or the north, and have abundant accommodation for travelling in any other direction in which they want to go. Let Sir Hugh Allan build his railway by all means, but with Canadian money."

TIMES, *April 5th*, 1875.

The subjoined has been sent to us for publication:—

"London, E.C., April 3rd.

"Sir,—As one largely interested in Canadian railways, I beg to thank you for the remarks made in your Money Article of the 1st instant. It is satisfactory to find that the respective boards of the Great Western and Grand Trunk have had the wisdom to abandon a competition which could only sacrifice the interests of their respective constituencies, and benefit those whose personal interest in those companies is simply *nil*. It seems that the only concern of the Canadian people is to get the money spent in their country, entirely regardless as to whether any return accrues to those who find the capital or not. Surely this is a short-sighted policy

on their part. At the present time millions of money advanced by the English public yield no return, whatever; nearly all the capital represented by the two principal companies is unremunerative. During the last year the entire return on the whole of the Preference and Ordinary Stocks of the railways referred to has been the payment at the rate of $2\frac{1}{2}$ per cent. on Grand Trunk 1st Preference Stock.

"You may well warn the public against entering into any other schemes which may be brought before them, notably those to which you refer, which, notwithstanding anything urged to the contrary, are actually competitive lines to those already in existence—lines which may possibly serve the interests of those who have conceived them, but which cannot possibly yield any return to those who may be foolish enough to lend their money to those carrying them out. After the revelations of Canadian honesty in connection with the Pacific Line and the late elections in that country, it behoves us to watch narrowly any further attempts to borrow money here, which can only end as previous ones have done, in the loss of more than half the capital embarked.—I am, &c.,

"AN ORDINARY AND PREFERENCE HOLDER."

TIMES, *April 6th*, 1875.

"Several further letters have reached us bearing upon the Canadian Railway question, and among the rest one of very great length by Sir Hugh Allan, which goes over again minutely the whole position, forming a most elaborate prospectus of the scheme. We regret that we cannot publish these letters, nor any of them, not merely because they are long, but because the subject has been already sufficiently dealt with. No amount of argument can, we should hope, lead sensible people in this country to put more money into railway projects in the Canadian Dominion, for not only is there no traffic for such railways, but, supposing there were, their owners are exposed to the constant danger that the Dominion Parliament may grant a subsidy for a competitive railway to run half a mile off. In this way the Canada Southern

has been built, to the ruin of the proprietors of the Canada Great Western. If the belief in the value of schemes such as we have criticised is so profound among Canadians as we are told, we say again let them find the money at home. Millions enough have been presented to the Dominion already by this country."

On the 13th April the following letter from me appeared in the general columns of the *Times* :—

CANADA AND ITS RAILWAYS.

To the Editor of the TIMES.

"SIR,—As the remarks which have appeared in the Money Article of several recent issues of the *Times* have relations to the general interests of the Canadian Government and people, far more wide than those therein directly adverted to, I must ask you in all fairness to permit me, as the representative of Canada, to offer a few words in remonstrance against the tone and bearing of those remarks. I should have asked this opportunity at an earlier date, but that I have been seriously indisposed.

"As my concern with the subject is only in relation to its general bearings, I am sure that your courtesy will permit me to withdraw it from the financial corner of your newspaper into your other columns.

"The immediate subject or cause of the animadversions which the writer of the Money Article

has made upon Canada was, I believe, the prospect of an appeal to the British public for funds on behalf of the railway to connect Montreal and Ottawa, which, as it was alleged, would simply be a fatuous rival of the Grand Trunk Railway.

“It is not my business, nor am I personally interested, to enter into that controversy; but I desire to point out to you that what has been virtually laid down in the *Times*, and requires to be either explicitly defended or withdrawn, is in effect this—that because the Grand Trunk and Great Western Railways have not paid, and are not paying, anything like proper interest or dividends on their immense capital, any other schemes which may be held or proved to compete with them, however superior their advantages, ought to be discarded by British investors. And I also understand that a second principle of a far more perilous and general character is insisted upon by you—viz., that it is an immoral thing for the Government of the Dominion, or for any of the Provincial Governments, to sanction or to aid any schemes which are likely to be injurious to the interests of the Grand Trunk and Great Western Railways.

“If these principles are not to be deduced from the words of your Money Article, I am in serious error, and I shall be very glad if it should turn out that I have placed a wrong inter-

pretation upon them. In the meantime, on behalf of the Government and people of Canada, whose good faith, honour, and responsibility have been deliberately attacked in your columns, I have to ask the public to inquire for itself on behalf of what enterprises, and on what responsibility, they are asked to visit Canada with this drastic punishment.

“The injured tone adopted in your journal would justify ignorant persons in supposing that the people and Government of Canada had concocted gigantic railway schemes which they had presented to the British public; and that now, indifferent to the interests of those who had been half ruined by these schemes, they were preparing to establish other enterprises which would throw them into the background.

“But, Sir, I ask that the public will first inquire—Where were these vast schemes originated? Who built and equipped these railways? Who were the contractors and the engineers? How much per mile did these railways cost? And, at the same time, let the question be asked and answered, How much per mile have railways managed and financed in Canada, and now paying large dividends, cost per mile in comparison? Let the question also be asked—How much of all the vast sums of money expended on these enterprises has reached and benefited

Canada, and how much has remained in England? And, again, how much from first to last has the Government of Canada itself advanced and expended in the effort to make these railways property equally advantageous to Canadian and to English interests? When these questions have been answered, if it should prove that the unfortunate shareholders, in whose interests I have no doubt that you are conscientiously writing, have less to complain of Canadian Governments and Canadian people than of other persons, to me unknown, it will at least be only just that the responsibility for the misfortunes attending these schemes should rest upon the proper persons.

“As regards the uncalled-for attack upon the honour of the Canadian Government, contained in the direct charge published in your money article of the 6th of April, I am obliged to give it an unqualified contradiction. You say, without reference to locality and necessity, ‘No amount of argument can, we should hope, lead sensible people in this country to put more money into railway projects in the Canadian Dominion, for not only is there no traffic for such railways, but, supposing there were, their owners are exposed to the constant danger that a Dominion Parliament may grant a subsidy for a competitive railway to run half a mile off. In this way the

Canada Southern has been built to the ruin of the proprietors of the Canada Great Western.' With all respect, I am obliged to say that this charge is as ridiculous as it is unfounded. The geography of the Dominion is open to any school-boy, and though they run parallel and near each other it would be interesting to know at what point the Canada Southern and the Great Western come within half a mile of each other. In the second place, the Canada Southern never received any subsidy from either Dominion or Provincial Governments.

"In conclusion, I have but one question to ask. I appeal to you to know whether you are prepared deliberately to insist that all other enterprises in the Dominion of Canada, developing as it now is with unparalleled rapidity, are to rest in abeyance; are to be discountenanced by the people and Government of Canada; and are not, however promising, to be aided by the capitalists of England until the Grand Trunk and Great Western Railways are paying interest on their bonds and dividends on their capital?"

"I have the honour to be, Sir,

"Your obedient servant,

"EDWARD JENKINS,

"Agent-General for Canada.

"Canada Government Building,

"King Street, Westminster, April 9."

TIMES, April 15th.

“It is with some reluctance that we recur to the subject of Canadian Railways, their position being so plain to all men. But Mr. Edward Jenkins, the Agent-General of Canada, has chosen to publish a letter complaining, in a deeply-injured tone, of our statements, and by his outcry implies that we have dealt unkind blows at the credit of the Dominion. We are sorry that Mr. Jenkins does not better comprehend the state of affairs; and in publishing the following reply to his letter, we take the liberty of recalling a few prominent facts which will show how the matter stands. At the lowest estimate this country has lent Canada £38,000,000 for railway purposes, only about £10,000,000 of which yields any return. Thus the Grand Trunk Railway, on which nearly £30,000,000 has been spent altogether, five-sixths of it being English money, pays nothing on about £20,000,000, and only paid $2\frac{1}{2}$ per cent. last time on its first preference stock. The Great Western of Canada, to which this country has given eight odd millions out of nine odd, pays nothing now on five of that eight. The Canada Southern is in default on its bonds; the Midland as well; while the Prescott and Ottawa—the railway with which the Northern Colonisation line is partly to compete—was sold some time ago to pay for its rails—its capital and bonded debt being thus clean wiped out. So with the small lines that run up to Lake Huron, and towards Georgia Bay, with a view to draw the Western American traffic to Canada, and away from Chicago and Milwaukee. Most, if not all, of them have been disastrous to their owners. Some of these lines paid formerly better than now, but, as our correspondent points out, reckless disregard of existing interests in the planning of competing lines, has brought them to the verge of bankruptcy. Surely, with such a state of things, while three-fourths of the English capital spent on Canada is unproductive, it cannot be expected that we shall go on lending to all comers, asking no questions? Canada has not dealt fairly by herself nor by the English investor, and no principle can be more sound or just than that which

rules that Canada shall have no more English money until she has mended her ways. These are the broad facts, and they speak for themselves, so that we need not dispute with Mr. Jenkins whether existing railways do race with each other, half a mile apart or not. Some of them have been so made as to ruin each other, and that is enough. But, indeed, Mr. Jenkins carefully avoids disputing the facts we gave. We have, it need hardly be said, no ill-feeling towards Canada, and wrote rather in her true interests than against her; for it is not for her interest that her name should be financially discredited in the markets of Europe, as it certainly must be if she goes on as she has done."

"Stock Exchange, April 13, 1875.

"Sir,—A letter has appeared in the *Times* of to-day from Mr. Edward Jenkins, Agent-General for Canada, on the subject of Canadian Railways, which, however convincing to Canadians will not, I apprehend, be equally so to the unfortunate shareholders who are receiving no return for their investments. The letter touches principally on two points—first, that the Canadian Government is not responsible for the unremunerative character of the present lines; and, secondly, that this state of things should not deter investors from subscribing to other lines constructed upon a cheaper principle. Respecting the first point, contrast Canada with other British colonies. It will be found that the Dominion has nearly as many miles of railroad as all the rest put together, and that the money expended is not far different. The Canadian lines, however, have been made by foreigners, while other colonies have made their own, raising the necessary capital on bonds.

"As regards the railways, the Great Western was made first, and for a few years, having no competition, paid a fair dividend. Subsequently the Grand Trunk was projected as a continuation of the Great Western from Toronto—this idea being afterwards modified in favour of a line running parallel nearly the whole length of the Great Western. The inevitable result

ensued; the Great Western paid no dividend, and the Grand Trunk for many years scarcely paid working expenses. A few years later, when trade increased, the Great Western earned a fair dividend and the Grand Trunk appeared to be overcoming its difficulties,

“At this juncture, however, a new line is made—the Canada Southern—running in the same direction as the older companies, and again with similar results, diverting from the Great Western enough traffic to destroy the dividend, and injuring both lines by exciting fierce competition. It must be remembered that, although these railways were made by foreign capital, they were authorised by special Acts of the Canadian Legislature, and the shareholders are surely entitled to expect that no further mileage will be sanctioned than will yield a pecuniary return and afford sufficient business facilities.

“It cannot for a moment be supposed that if, as in the other colonies, these undertakings had been made by the Canadian Government, the Canada Southern would ever have been sanctioned; certainly not until the existing lines had shown themselves capable of earning fair returns on the capital expended.

“Respecting Mr. Jenkins’s second point—viz., that lines of cheaper construction may pay—it may be stated that the Grand Trunk now only earns a dividend on about seven millions of capital, or, say, on a cost of £5,000 a mile; and even for this the company has expended nearly two millions on the St. Lawrence and International Bridges. In fact, at the present moment the market price of Grand Trunk represents little more than the cost of the rolling stock, rails, and bridges, leaving almost nothing for making the railway.

“I am, Sir, yours obediently,

“LEWIS PAINE.”

TIMES, *April 19th.*

The graphic and veracious history set forth in the subjoined letter should finally end all dispute upon the question of lending more money to Canada for railway

projects. No other country in the world could furnish such a chronicle of disaster extending over so long a period:—

“Offices of the Grand Trunk Railway Company
of Canada, 21, Old Broad Street, E.C.,

April 13, 1875.

“Sir,—The letter of Mr. Jenkins, Agent-General for Canada, in your columns of this morning, requires in many of its statements correction and elucidation, which will not be without value to those who are solicited to invest their capital in the bonds of newly-chartered and largely-subsidised Canadian railways. The greater portion of these lines compete, directly or indirectly, with the existing lines now in operation, and the new schemes are subject to the same conditions of climate, river competition, and incidents of traffic as the existing railways.

“There are about 4000 miles of railways open and at work in the Dominion of Canada, a mileage greatly in excess of the proportion which exists in England relatively to population and to the industrial products of the two countries.

“Beginning with the Maritime Provinces of New Brunswick and Nova Scotia, now an integral part of the Dominion, all the railways there, except the Windsor and Annapolis, were constructed by the Provincial Governments before confederation. They connect Halifax through the Pictou coalfields with St. John's by means of a section of the Intercolonial, and the Intercolonial gives a complete railway communication between the Maritime Provinces through Moncton, Newcastle, Bathurst, and the Bay of Chaleur with the St. Lawrence, and to a junction with the Grand Trunk Railway at Rivière du Loup, in the Province of Quebec.

“The Windsor and Annapolis Company is a total wreck of British capital, and Mr. Brydges, chief Commissioner of the Intercolonial and General Manager of the Nova Scotia and New Brunswick Railways, in the month of October last, when I was in Canada, presented to the Dominion Government an able, elaborate, and

exhaustive report, in which he showed that the working of the Nova Scotia and New Brunswick Railways left a large annual loss to be met by public taxation; that is to say, the expenses in operating these lines considerably exceeded the gross traffic receipts.

"The Intercolonial itself, it is universally acknowledged in Canada, cannot be kept open during the whole year without a heavy loss. I have been over the whole of that line with the engineers and contractors, and have examined various estimates and calculations of the annual loss to be met by taxation which it will cost the Dominion, or the contractors, if the working be let by tender, to work that railway, ranging from £50,000 to £100,000 per annum.

"At Rivière du Loup, on the St. Lawrence, the Grand Trunk of Canada commences its course, and at present alone occupies the district to Quebec, Montreal, and Prescott. To borrow Mr. Jenkins's language, this railway was 'managed and financed' during its inception and construction, and for years after its first opening it was also worked by the Canadian Board, nominated originally by the Prime Minister of Canada, with a committee in London to raise and remit the funds.

"The Grand Trunk was largely subsidised by Canada to the extent of three millions sterling, and in the first instance this subsidy, only a loan, was ultimately, by the liberality of Canada, converted into a free gift. In addition to this subsidy of £3,000,000, English bondholders and shareholders contributed £9,000,000 more, and the contractors, Messrs. Brassey, Peto, and Betts, left behind them in Canada a loss of £1,600,000 on its construction. For years after its opening the Grand Trunk did not pay its working expenses, and Mr. Jenkins will be good enough to note that to a bondholder cheap construction avails little where gross receipts are less than working cost. Probably he does not know that cheap construction always means, in the end, dear maintenance and excessive renewals. Even after a growth of fifteen years the Grand Trunk of Canada, unopposed with along its whole line from Rivière du Loup to Quebec, Montreal,

and Toronto, has only yielded for the first time in its history interest out of revenue upon its original bonds and capital of £12,000,000 or of £13,000,000, including the contractors' contribution of £1,000,000, a sum of £80,000 in the year 1874, or about sufficient at 6 per cent. to pay the interest on £1,300,000, and this notwithstanding that an additional £4,000,000 fresh capital has been spent since 1869 in changing the exceptional gauge, in steeling, ballasting, and completing the line, and in providing an entirely fresh rolling stock and equipment.

"The severe conditions of Canadian climate and traffic, and the competition of a bankrupt and subsidised line, the Canada Southern, threaten in 1875 to lessen, if not to extinguish this inadequate pittance of £80,000, nett result on a capital of £12,000,000 or £13,000,000.

"Proceeding westward from Montreal, Canada is supplied with another railway constructed with English capital, the Prescott and Ottawa. That, like the Grand Trunk, has proved a total loss to its original proprietors, and is now working barely able to make both ends meet, and to provide adequately for the maintenance and renewal of its permanent way and rolling stock.

"In the same direction westward the next Canadian Railway is the Brockville and Ottawa, also constructed with English capital. The eminent firm of Bolckow, Vaughan, and Co., who supplied the iron rails, and received in payment the bonds of this company, were compelled, owing to default of the bonds, to take possession of the line, and they have recently sold it, at a heavy loss, to Canadian owners. It has been reconstructed, and is now called the Canada Central.

"Immediately west of the Brockville and Ottawa comes the Midland of Canada, another railway originally built with English capital. Years ago the Midland of Canada was also reconstructed and rechristened, its original capital wiped out, and upon an issue of fresh bonds so recently as the year 1873 default has been made and the interest thereon funded.

"The Midland connects the Grand Trunk from Coburg and Port Hope with the Georgian Bay.

“Next to the Midland of Canada is the Northern of Canada, from Toronto to Collingwood, on the Georgian Bay, and the original share capital of this has also been wiped out by a Reconstruction Act.

“The present condition of the Great Western of Canada, well located in Western Canada for both local and through traffic, is well known to the English public; the results of the working for the year 1874 show a large deficiency in providing the interest on the bonded debt, and the prospects of the current year, so far as it has gone, according to the published returns, indicate results less favourable than for 1874.

“The history of the Buffalo and Lake Huron, also in Western Canada, which is now a part of the Grand Trunk Railway west of Toronto, on which a very large amount of English capital has been expended, is as disastrous as the history of the Grand Trunk or the Great Western.

“There are in Western Canada two other small lines belonging to English capitalists, the Welland and the Erie and Niagara, and they are more complete wrecks than any of the preceding companies.

“In this enumeration of Canadian Railways I believe I have exhausted very nearly the whole of the 4,000 miles now in operation.

“There are certain branch lines, the Wellington, Grey, and Bruce, and others, belonging to the above corporations, and which have been mostly constructed since 1871, under the auspices of the Great Western of Canada, and upon guarantees given by that company to cover the interest of the bonds raised in London. It is impossible to ascertain their real condition in respect to gross receipts and working expenses for two reasons:—

“They may probably pay the parent line in the traffic which they collect and send over it, and yet they may not recoup the cost of working out of their own proper business.

“They are new and very cheaply constructed, and in a few years the renewals of their light iron rails and wooden bridges and imperfect alignments will probably

amount to more than their receipts. They have no rolling stock to maintain and renew.

“Mr. Jenkins says there are railways working in Canada, ‘managed and financed’ in Canada, now paying large dividends, where the cost per mile in comparison with the nearly 4000 miles constructed mainly by British capital has been considerably less. I know of no such railways, and yet I have visited every mile of railway in the Dominion.

“There are two short 3ft. 6in. narrow gauge lines from Toronto, called the Toronto, Grey, and Bruce, and the Toronto and Nipissing, which have been opened now for two years. They are cheaply constructed, with iron rails under 40 lb. to the yard, and they are not yet old enough to realise the cost of maintenance and renewal charges, either to their permanent way or rolling stock. They do at present pay the interest on their bonds, but no dividends upon other capital or stock. When they have been open sufficiently long to show an average expenditure for maintenance and renewals, and at the same time to pay interest on their bonded debt, then it may fairly be said that they form an exception to the general experience of railway working in Canada.

“During the past winter the greater portion of these two railways has been closed to traffic for nearly two months, off and on. They occupy a district north of Toronto, where the rigours of the climate make it impossible in Canada to keep open a railway except at an actual loss in January, February, and March, the harshest season of Canadian railways, when the rates are not affected by the water competition.

“And now a few words upon the immediate subject of this controversy—viz., the proposals of Sir Hugh Allan and his fellow projectors for the issue of the bonds of his railway—the Montreal Northern Colonisation Railway from Montreal to Ottawa.

“When Sir Hugh Allan was in England two years ago as President of the Canadian Pacific Railway he brought with him these same proposals; but his failure to interest the English public in his Canadian Pacific enterprise doubtless prevented him from offering the

bonds of the Northern Colonisation, itself a subsidiary scheme to his Canadian Pacific.

“In the Allan correspondence which was betrayed to the public by one of the associated partners in Sir Hugh Allan’s Canadian Pacific scheme, Sir Hugh has left a graphic record of the mode by which he obtained, through French speeches and by an active canvass among the ratepayers of Montreal, the subsidy of £200,000 sterling. He described in this canvassing tour the scope and purpose of the Northern Colonisation. It was to be connected on the east by the North Shore Railway from Montreal to Quebec, and on the west from Ottawa by a line running through the district north of the St. Lawrence, from Ottawa to Toronto, and at Toronto to be brought into communication with the Credit Valley line—another largely subsidised scheme which is now being constructed from Toronto towards Detroit and Sarnia, midway between the Grand Trunk and Great Western of Canada systems.

“In the present session of the Dominion Parliament Sir Hugh and his fellow promoters of the Northern Colonisation are applying for an Act to construct a high-level bridge over the St. Lawrence, 150ft. above high water, nearly five miles long, and estimated by one of the most experienced and competent engineers in Canada to cost between two and three millions sterling.

“In 1873 he also supported a second and a better line from Montreal to Portland.

“The success of Sir Hugh Allan’s present proposals would bring the bonds of the whole of these gigantic schemes over to this country. There are upwards of 4000 miles of them and of kindred companies, and they are more or less competitive with the existing 4000 miles of railway constructed with English capital. According to past experience they could not be made to earn their working expenses, and therefore, however highly subsidised they may be, and however advantageous for the development of the different localities through which they pass, I apprehend that they cannot be considered as safe investments for British capitalists and bondholders.

“The Canada Southern, which is a fair sample of these subsidised lines, it is true, did not receive its subsidies from the Dominion or the Provincial Governments, but it did receive them from the municipalities and counties which it traverses. It does come within half a mile of the Great Western at several points, as I can testify from travelling over it. The charter for it was granted to a Canadian gentleman who may be fairly called a dealer in charters. The charter was purchased by American speculators and promoters, who formed themselves into a *Crédit Mobilier* or construction company, and let the making of the line to themselves, without, of course, any practical engineering supervision.

“They appropriated to themselves by means of this construction company, consisting entirely of themselves, the ordinary stock, and issued seven or eight million dollars of bonds in New York, and afterwards two or three millions of the same series of bonds in London; they divided large profits among themselves upon the construction of the line; but when it was opened eighteen months ago it proved a total failure, with working expenses in excess of receipts, and inflicted, beyond doubt, severe injury upon the Great Western of Canada, and through them and the competition created upon the Grand Trunk the probable end of this subsidised Canadian Railway within the next year or so will be its sale under the sheriffs’ hammer to some one or more of its solvent American or Canadian neighbours.

“There is one characteristic which the Northern Colonisation and all its kindred proposals have in common with the Canada Southern, they have no share capital held by a solid body of proprietors in the ordinary sense of the term.

“The share capital is distributed by the principal promoters among themselves; ten per cent. deposit is written up by the promoters’ bank to comply with the law. The bondholder has no vote, and such a constitution affords no practical guarantee of sound and economical construction, or after the opening of the line for efficient and adequate administration. It is true

that the bondholder in case of default could put a receiver on the line ; but what is the value of this remedy if the locality through which the line passes will not yield sufficient to pay the expenses of the railway working?

“ I ask confidently, is there anything in the record of railway construction and working in Canada to justify the credulous British capitalist in subscribing to the bonds of fresh and largely-subsidised Canadian railways? In so doing he is sure to damage, probably ruin, his neighbour, and not less sure, according to all past experience, to throw away his own savings.

“ I have the honour to be, your obedient servant,

“ RICHARD POTTER,

“ President Grand Trunk Railway of Canada.”

TIMES of 22nd April.

“ The heterogeneous mixture of complaints, accusations, arguments, assertions, and inuendos composing the following letter does not appear to us to advance the cause which Mr. Jenkins has taken up with such gratuitous chivalry, and we are glad to think that we have now reached the end of the controversy. Mr. Jenkins is thoroughly welcome to all the weight his great ‘ point ’ can have against those ‘ broad facts ’ at which he seeks to sneer ; but it remains, when all has been said, that Canadian railways have hitherto been a bad speculation to all but the Canadians, and that, in spite of the progress of the country, they are for a long time to come likely to be. The population of the country is but about 4,000,000, much scattered, as its existing 4000 miles of railway alone would suffice to show, and the French part of it mostly refuse to patronise the railways. The bulk of its trade is of a kind that does not afford profit enough to pay for long overland carriage by railways, and the further one goes into the unopened portions of the country the less chance is there of profitable business for them. But these truisms should need no repetition, and we will close the discussion on this subject by answering a statement or two

made by Mr. Jenkins. As to the capital borrowed by Canada from us for railway purposes, we find that the gross total now traceable in the Stock Exchange lists is £40,994,000, exclusive of a loan of £2,000,000 raised in 1867 for the Intercolonial Railway, £1,500,000 of which bears the guarantee of England. We therefore considerably understated our case, as was our intention, in dealing with the gross total, by reason of the discounts to which some issues have been subject. But these discounts should not be taken into account in dealing with individual railways, for the simple reason that they represent the price the railway pays for causing its creditors to wait many years for returns on their money. As Mr. Jenkins ought to have known, railways in their accounts always reckon capital by its gross nominal amount, and they do so because it is the only just way of looking at their liabilities. Hence, in the accounts of the Grand Trunk Railway, issued yesterday, 'capital expended' is set down at £29,900,000 odd, although this includes the discount on the last 'ordinary' issue. On this it earned last half year a nett revenue of £216,787, of which, after paying rents of leased lines and interest of bonds of subsidiary lines, &c., there was left £38,390. This, with the small balance brought forward, allows of a dividend at the rate of $2\frac{1}{2}$ per cent. on the first preference stock, all below that, or about $20\frac{1}{2}$ millions nominal, not getting a farthing. In the face of these facts, what becomes of the insinuations and assertions of Mr. Jenkins? The story of the Great Western of Canada—a Company that has been in existence since 1845, long before Canada Southern was heard of—is not any more encouraging. It has spent to the date of the last report, issued two days ago, £8,537,000. The interest on bonds and the loss on working leased lines left the Company a loss of £14,231 on the half year's working, or a total deficit for last year of £34,288. Add interest due on preference stocks, £16,019, and we have a total deficiency of over £50,000 for the year, before some $5\frac{1}{2}$ millions of ordinary capital comes into account at all. Yet this railway runs through the wealthiest part of Canada. But that is not all. There

are heavy losses lying to be charged to revenue upon some of the subsidiary lines that the Great Western works. Of such is £44,645 on the Detroit and Milwaukee Railway. But this is not to be wondered at when the railway has to compete with two other systems in Canada and three in the United States. These being the indisputable facts to be set against Mr. Jenkins's assertions on the main point of his quarrel with us, we think it is hardly necessary to follow him further. His attack on Mr. Potter may be left to refute itself, and this discussion must now positively close."

TO THE EDITOR OF THE "TIMES."

SIR,—The terms in which the writer of the Money Article refers to my communication published on Tuesday last on the subject of Canadian Railways, and the indignation which I learn through the cable that his strictures have excited in Canada, oblige me, in justice to myself as well as to the subject, to ask the favour of inserting what shall be my last words on the matter.

In addition I now have the advantage to have drawn from one of the highest and most interested authorities a statement vouched by the the Money Editor to be "graphic and veracious," and which at least has the merit of not floundering helplessly among the facts. I will try as briefly as possible to meet the joint attack.

* CONSIDERING THE INACCURACIES OF WHICH I HAD CONVICTED THE WRITER OF THE MONEY ARTICLE, FROM WHOM I APPEALED TO YOU, AND THE NUMBER OF ADDITIONAL INACCURATE AND UNJUSTIFIABLE

* Struck out of my letter by the *Times* censor.

INFERENCES, WHICH HAVE BEEN MADE WORSE, AND ADDED TO BY HIS LAST STATEMENT, IT SEEMS TO BE A RATHER GRATUITOUS INSINUATION TO SAY, "WE ARE SORRY MR. JENKINS DOES NOT BETTER COMPREHEND THE STATE OF AFFAIRS." IT IS ONLY RIGHT AFTER SUCH AN INSINUATION THAT I SHOULD AGAIN CALL YOUR ATTENTION, AS THE RESPONSIBLE EDITOR OF THE *Times*, TO THE INJUSTICE (BASED UPON WHAT I WILL PROVE TO BE GROSSLY INCORRECT STATEMENTS) DONE TO THOSE WHOSE INTERESTS I REPRESENT.

I may say without offence that expressions such as "things that are plain to all men," about things patent to "sensible" men, about "reckless disregard of existing interests," and appeals to "broad facts," which, as I shall show, anyone with a map and a few reports can disprove, seem rather to resemble the tactics of convicted ignorance than of judicious criticism.

Permit me first briefly to recall the circumstances under which I intervened. If the writer of the Money Article had done no more than to reflect upon a scheme of Sir Hugh Allan and others, it would have been wholly out of place for me to interfere. It is one of the points which I make that every railway undertaking must stand upon its own merits, and for all I know, there may be in the character of the Northern Colonisation Railway enough to justify any amount of strong writing.

In criticising all such undertakings in a fair and equitable manner, the *Times*, as was demonstrated in a recent case, discharges a duty which is equally beneficial to the English and Canadian public. But the Money Editor went beyond this to propound the extreme proposition that no investment in new Canadian Railways ought to be entertained by "sensible" people, and that they were exposed to the constant danger that the Dominion Parliament might grant a subsidy for a competitive railway to run half a mile off. I simply challenged the justice and accuracy of these statements. The only arguments offered in support of them were that two great English railway undertakings in Canada and some smaller ones had had a disastrous history, a statement which I endeavoured to diminish the effect of, by asking a number of questions about Grand Trunk and Great Western management which even Mr. Potter has not attempted to answer. The Canada Southern was thrown at my head. I will here dismiss Canada Southern in a few words. The statement that Canada Southern and Great Western ran within half a mile of each other was a misleading one, and Mr. Potter will perhaps say whether it is not at points where they cross that he is able to give evidence that they come within half a mile of each other.

Further, if they do run so close, who is responsible for it? The charter for Canada Southern was obtained in 1867. The charter for the "air line," which runs nearest the Canada Southern, was obtained in 1868-9, and was acquired by the Great Western. There is therefore as much ground for asking how far Great Western helped to kill Canada Southern, as to put the alternative question.

As to the so-called subsidies to this line, they are subscriptions of municipalities granted on the Canadian method, and amounting altogether to only, say, 4 OR 500,000 DOLLARS* out of 17,000,000 dollars; and therefore to call it a "subsidised" railway is simply to delude an uninformed reader. So far from issuing "two or three millions of its bonds in London," its issue was simply and solely 1,000,000 dollars.

To return, there are no just grounds, either in the erroneous statements of the Money Article, or in the long story of Mr. Potter, for declining to grant to new Canadian Railway schemes a fair hearing, or even a favourable reception in the English Money Market. I do not argue that English capitalists should go on "lending to all comers, asking no questions." Let every scheme

* This was clearly written as above printed. The *Times* had it "7,000,000." A press copy shows that my shorthand clerk had originally written "four or five millions," and I had altered it as above clearly in my handwriting. I telegraphed a correction to the *Times*, which never appeared.

be carefully considered in relation to its own direct prospects of success, and not be condemned by reference to an unfortunate history, which, if written in detail, might certainly read a valuable lesson to the British investor. What, I ask, might now have been the position of the Grand Trunk Railway, if extensions had not been built where they could not possibly be remunerative; if a suicidal competition had not been attempted with American lines possessing the advantage of several hundred miles less distance to the sea-board; if internal traffic had been developed with as much care as a traffic which Mr. Potter seems to admit scarcely pays its expenses—for if it did it could occupy the whole line, and in that case other railways would be required; and lastly, had there been less effort and sacrifice in endeavouring to absorb into the Grand Trunk system other Canadian Railways; had there been greater economy in building and management, will any business man contend that Grand Trunk might not to-day have stood in the position of one of the most promising railway enterprises in North America?

As to the original responsibility, Mr. Potter says, in reply to my words, “managed and financed” from England, that it was also “worked” by the Canadian “Board,” nominated originally by the Prime Minister of Canada with a “Com-

mittee" in London to "raise and remit" its funds. Does Mr. Potter wish me to go into the early history of the Grand Trunk? Who allotted the stock on 25th April, 1853, and how many Canadians received allotments? Does he wish the public to infer that a Board stated in the celebrated original prospectus to be "Directors," with the names of Baring, Glyn, Wollaston Blake, Robert McCalmont, Kirkman Hodgson, and Alderman Thompson, were a subsidiary "Committee" to a number of Canadian gentlemen?

Mr. Potter asks me to be good enough to note that "cheap construction always means in the end dear maintenance and excessive renewals." I defer to so high an authority, but I ask Mr. Potter whether this is not a question of degree, and whether if a road can be built well at £8000 a mile, it is good economy to build it, only a little better, and no more to the purpose, at £16,000 per mile? I simply take a hypothetical case in order to show the futility of the argument.

Again, what is now virtually contended? The Grand Trunk and its feeders, and the Great Western run through the most populous portions of Quebec and Ontario. Is it possible that at the rate at which Canada is increasing in population (*vide* Grand Trunk circulars and reports

passim), and looking to the prospects of the development of the country northwards and westwards, these roads are entitled or can hope to obtain a monopoly of the railway traffic of Canada? Their disastrous history, and the disastrous history of twenty other railways, cannot shake the common sense of the position, that the opening up of other parts of Canada, and shorter and cheaper communications between some of its most important local centres may be financial undertakings well worthy the attention of English capitalists. It would be as judicious to argue that the history of the Great Eastern, Metropolitan, Chatham and Dover were reasons for discrediting a line between Glasgow and Edinburgh.

This, I contend, is the whole question, to which the only answer is a general blackening of Canadian Railway undertakings by citing the misadventures of a period when Canada was, both politically, economically, and, as regards population and development, in a totally different position.

But, Sir, some authorities differ at different times. I have before me a circular, issued on the 23rd May, 1873, and signed "Richard Potter, President," which I may ask those who by that circular may have been induced to become interested in Grand Trunk to lay side by side with

Mr. Potter's letter to you. It states: "In spite of the disadvantages under which the Company has hitherto laboured of being unable to carry the existing traffic, a steady increase has taken place year by year, the receipts having increased during the last ten years about 100 per cent., the traffic for last year approaching two millions sterling. There cannot be a question that the rate of increase will proceed even at a much greater ratio." After quoting statistics, the circular says: "A country which in such a short period has doubled its home and foreign trade must command confidence in its present resources and faith in its future development." And a speech of the Hon. W. Tilley, Minister of Finance, is quoted, in which he said: "We can bear an increased debt of thirty millions in the next ten years without materially increasing the taxation of the people, while at the same time we are opening up a magnificent country for the millions who will pour into it," &c. This was a speech made in relation to prospective railways quite out of any lines of competition with the Grand Trunk.

May I not ask by what right the President of the Grand Trunk, which runs from Detroit to Rivière du Loup, undertakes to warn English capitalists from having anything to do with railways projected by the Government and not going

within some hundred miles of his? The decency of such intervention is at least questionable.

Before proceeding to deal carefully with Mr. Potter's statements, and what are worse, his innuendoes, I desire to say a word or two concerning the "broad facts" on which the writer in the Money Article has been relying to support what I venture to call his preposterous propositions. Let me take the statements made in the Friday Money Article *seriatim*.

"At the lowest estimate this country has lent Canada thirty-eight millions for railway purposes." I ask when and where? Further, "of this nearly thirty millions has been spent altogether by the Grand Trunk Railway." I ask when and how? These railways, spite of Mr. Potter's disclaimer, were essentially English undertakings; the property, control, and management are almost entirely English. When the Great Western had been built by English capitalists, the Grand Trunk was projected, built, equipped, and managed by English rivals. Whatever may have been the original Canadian Committee, the REALLY responsible persons were on this side. What justification is there for designating the expenditure of such companies as money lost to Canada? It might better be called money mis-spent in Canada. But the

Money Editor is out to the trifling extent of over £9,000,000 sterling, on the authority of the Grand Trunk Report of the 30th of June, 1874. Of the items in the capital account £3,111,000 were contributed by Canada, and there is a charge of £6,075,000 for discount on the celebrated issue of 1873, when stock at 100 was placed on the market at £22 10s.

Other mis-statements in the Money Article will be refuted in the course of the following reply to Mr. Potter's letter. With regard to that letter, I must remark that Mr. Potter's process is exceedingly disingenuous. It is to enumerate the new railway schemes to assert them to be rivals of the Great Western and Grand Trunk, which helps to discredit them with English capitalists, to declare that former schemes have been—and of course he must contend, for the purposes of his argument, will long continue to be—disastrous failures, and then to condemn every new enterprise. Now, in fact, such roads as the North Shore, the Northern Colonisation, the Canada Central, may be said to compete with the Grand Trunk, just as you may say the Great Northern or Midland competes with the London and North Western—that is to say, they run between the same *termini*, but they tap and develop totally different districts. Even if those districts were absolutely uninhabited or

uninhabitable, does it fairly lie in Mr. Potter's mouth to say so? *One* of them certainly would compete with the Grand Trunk for the traffic from Montreal to Quebec, and another in some degree for the traffic from Ottawa to Montreal. But it would be a strange thing to contend that if railways can be maintained by local traffic between those *termini*, as we must suppose the projectors believe they can, that they are not to be built because they will obviously bring great centres into nearer and more rapid communication than by existing lines. I should have thought that even Mr. Potter would not contend that people would long go from Ottawa to Prescott in order to take their chance of any time between one to five hours to catch a Grand Trunk train to Montreal, when a short line could be built which would take them from Ottawa to Montreal with less mileage and in less time. It is this consideration which renders Mr. Potter's statement that the greater portion of these lines compete directly or indirectly with the existing lines now in operation a disingenuous one if simply read upon the face.

I will now very shortly take up Mr. Potter's comments on the railways. I observe, by the way, that the President of the Grand Trunk is not above performing an ingenious financial sleight-of-hand. He adds to the capital ex-

pended on the Grand Trunk £1,000,000, said to have been lost by the contractors for its construction. Is it usual in railway accounts to add to the capital account the sums sunk by the misfortunes of contractors? But, sir, I will use this very point in favour of my hint that there may be better management by local adventurers in Canada than even by the distant magnates of Lombard Street. Part of the contract for the Grand Trunk was taken by Messrs. Galt, Gzowski, and Macpherson, who notoriously made fortunes out of it. These gentlemen offered the English contractors £200,000 for their contract.

Mr. Potter says that in the year 1874 (contrary to the certain predictions made in the florid statements published when he was issuing the stock of 1873) the Grand Trunk was only "for the first time in its history paying interest out of revenue upon its original bonds and capital, the sum of £80,000 in the year 1874." That there may be no mistake, he designates this £80,000 the nett result of a capital of twelve or thirteen millions sterling. But this statement is fallacious. The Grand Trunk has chosen to take into its system, by lease or otherwise, the Atlantic and St. Lawrence, the Detroit, the Montreal and Champlain, and the Buffalo and Lake Huron Railways, to which it has guaranteed sums amounting, in the aggregate, in the half-year

ending June 30, 1874, to £95,782 sterling, or, I may presume, double that sum per annum. Making a fair estimate of amounts earned by these railways, and of the sum paid to them by the Grand Trunk, I ask whether it is likely that Mr. Potter would have made the above statement if he had been drawing up the circular for a new loan? Besides, Mr. Potter is in a dilemma. Either he must admit these railways earn all he pays for them, in which case *they* are far from disastrous; or else he has not credited the capital account of the Trunk road with a sufficient profit.

Several of Mr. Potter's statements about Canadian Railways, and those in the Money Article of Friday, are, I regret to say, exaggerated. Mr. Potter must know the facts. **CONVICTION OF INACCURACY IN HIS CASE IS A VERY SERIOUS MATTER.**

I. Prescott and Ottawa.—It appears that many years ago, before the seat of Government was removed to Ottawa, and when Ottawa was little more than a village, the company failed to pay the interest on its bonds, and therefore the bonded debt was converted into stock; a further bonded debt was created to rehabilitate the road, which was subsequently increased to extend it; and on the total present capital of a little more than 1,250,000 dollars, its nett earnings in

1873 reached the sum of 92,000 dollars, which left, after paying for interest and conversion of American money into gold, the sum of 46,000 dollars, or about $5\frac{3}{4}$ per cent. on the stock representing the old bonds.

If this rate improved, as it probably did in 1874, the dividend on the old bond debt would be a liberal one; so that far from the railway being sold to pay for its rails, it paid for its rails with its bonds, and so far from the bonds being "wiped out" they were converted into stock on which dividend was earned.

Thus the case was not so bad as was represented.

II. Brockville and Ottawa was not constructed entirely by English capital, but about 20 years since, mainly with Canadian capital, the municipality granting 1,365,201:46 dollars. A long tunnel under Brockville, the only tunnel in Canada, made its cost exceptionally heavy. It has not been "reconstructed." By a composition effected with the municipalities, its position has been bettered.

It has not been amalgamated with the Canada Central, nor is it known by that name. Its history and prospects are neither more startling nor disastrous than that of many English railways.

III. The Canada Central, commencing at Ottawa, runs westward for 28 miles, until it

strikes the Brockville and Ottawa at Carleton Place, whence it runs over 28 miles of that road to Sandpoint. There it recommences its line proper and is complete to Renfrew, from which point it is to be continued with heavy subsidies from the Dominion Government for 125 miles, to the projected terminus of the Canadian Pacific. It will open up a fine country, now being rapidly populated. The portion from Ottawa to Carleton Place was built by Messrs. Bolckow, Vaughan, and Co., who sold it *at cost price*, after it had been running for two years, to Canadian contractors. From Sandpoint to Renfrew the line was, I believe, constructed by the purchasers entirely with Canadian capital. The Ontario Government has commuted for the land grant made to this road, and this grant will practically cover more than half the cost of the portion for which it was granted.

Can Mr. Potter's representation about these two roads be termed a candid one?

IV. The history of the Midland is referred to "years ago." It was constructed largely with Canadian, not, as Mr. Potter's statement implies, wholly with English capital--920,000 dollars having been contributed by municipalities alone, out of something over 3,000,000 dollars. If it has not paid interest this year, that may be due to the fact that the business of its new

extension has not developed. The news of its connection with Georgian Bay must have reached Mr. Potter by cable. It is wholly unknown to me. Though it is a merely "sectional" line with no termini of importance until it reaches Georgian Bay, I am informed it will pay on a reasonable cost, including its last issue of debentures.

V. The Buffalo and Lake Huron is said also to have a "disastrous history." It may be to the Grand Trunk, which has leased and managed it, but not to the original proprietors. These have been receiving on it an annually increasing payment, which amounted in 1873 to $5\frac{1}{2}$ * per cent. on £8000 per mile, and will in 1879 pay the interest on its debt and 5 per cent. on its shares, Its bonds were quoted in Friday's *Times* as follows, which is not an indication of that "verge of bankruptcy" spoken of in the Money Article :

6 per cent., 99 to 101.

$5\frac{1}{2}$ per cent., 96 to 98, business done 97.

VI. The Northern Railway 1st Preference Bonds were quoted on Friday, 99 to 100 ; 2nd Preference, 92 to 94 ; business done 93. Its Bond capital is the chief capital, the stock having been almost nominal, about half being held by

* This was incorrectly stated in my original letter by a stupid blunder to be $7\frac{1}{2}$ per cent. I am also informed, though it did not appear in the report of the Company, that there is £1,000,000 or so of this capital of the railway absorbed in the Grand Trunk.

two municipalities. It is not correct to say it was "wiped out"; but explanation here would be impossible. It is one of the best equipped and most prosperous railways in Canada, and has this session made an advantageous arrangement with the Dominion Government for a partial commutation of debt.

I will not further encroach upon your space, with reference to other railways. I may have been misinformed and have spoken too strongly in referring to railways paying "large" dividends. Mr. Potter ought to be a better authority than I, and therefore I am willing to submit to his correction. But he admits two to be successful for the time, and entirely omits reference to some Eastern township roads, which I believe show favourable results. At all events it is equally clear that Canadian Railways generally are not now on that "verge of bankruptcy" which the City Editor stated and Mr. Potter's letter implied. In this case the truth seems to lie somewhere between us.

I decline to be drawn into the controversy between Mr. Potter and Sir Hugh Allan, which, as I have said, does not concern me. It is clear this must be the last communication I can address to you on this subject, and any future discussion must take place outside your columns. I think I have shaken some of Mr. Potter's facts;

but, in conclusion, I will say, granting all that Mr. Potter says to be true, it does not touch my point in the least. His principle seems to be "let Grand Trunk prosper and everything else perish."

Mr. Potter's appearance on the scene raises a very serious question. Are Grand Trunk interests to overshadow and obscure the prosperity of Canada, to extrude her undertakings from the English Money Market, and to discountenance the Canadian people and the Canadian Government by the overbearing influence of a great corporation?

It will be for the Government and people of Canada to answer the question, and to determine in what manner to meet a hostility springing, as it were, from its own allies.

I have the honour to be, Sir,

Your obedient Servant,

(Signed) EDWARD JENKINS,

Agent-General for Canada.

April 20th.

