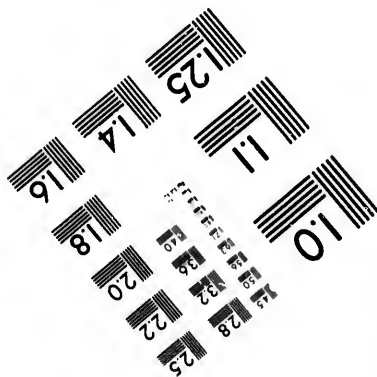
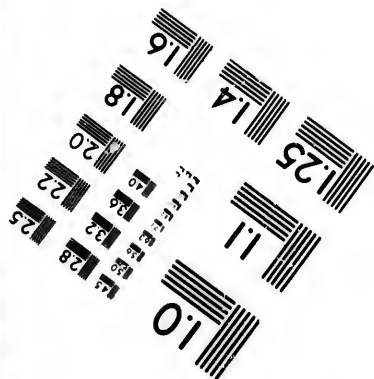
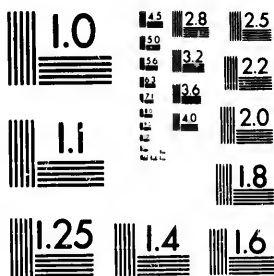


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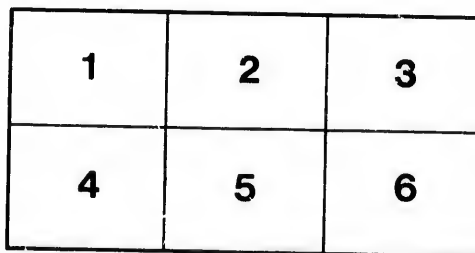
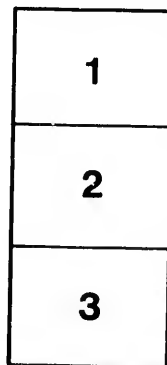
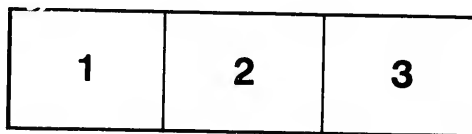
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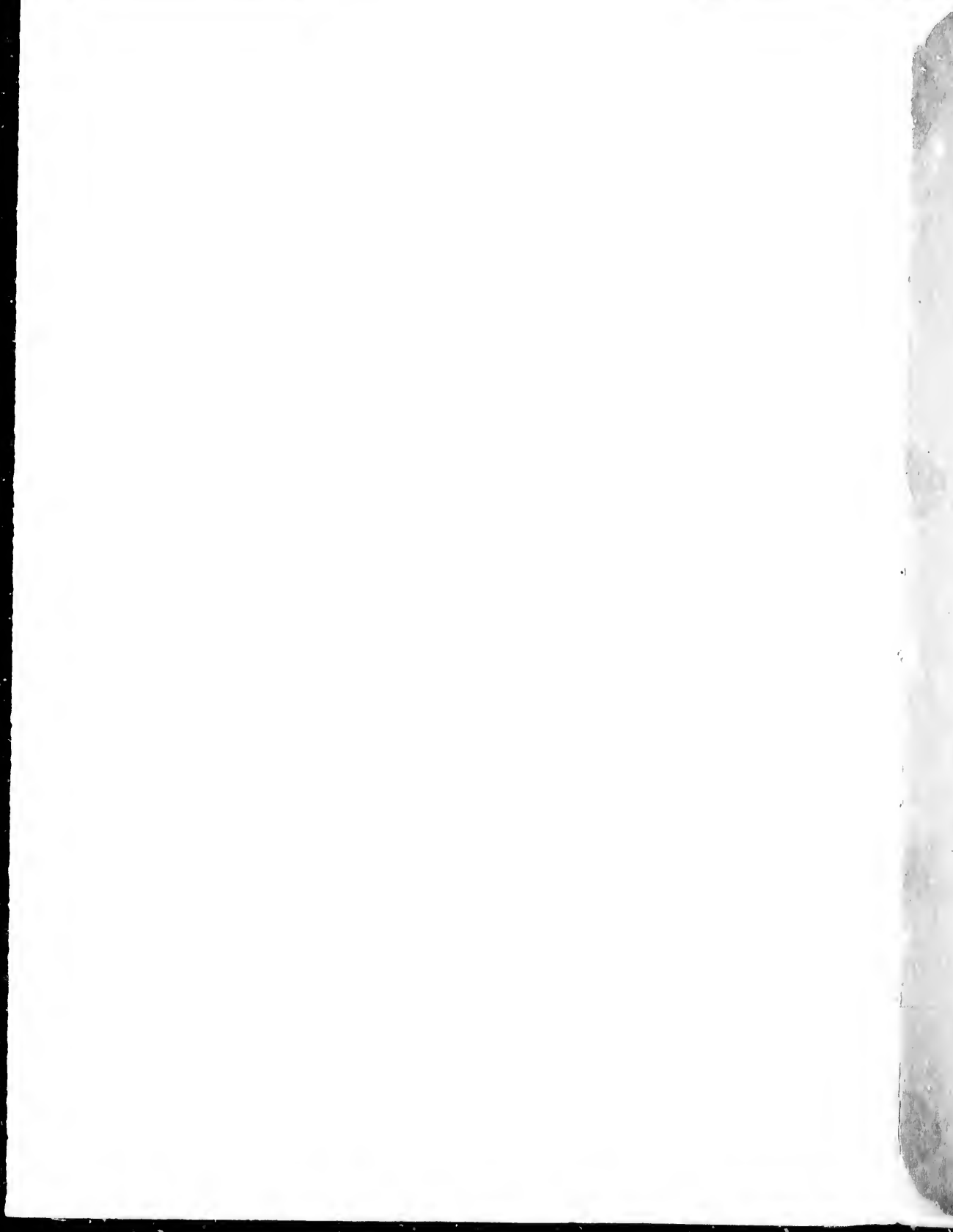
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**BAIE DES CHALEURS
RAILWAY.**

COMPLETE OFFICIAL RECORD.

OFFICIAL CORRESPONDENCE

— BETWEEN —

**His Honor the Lieutenant-Governor and
Mr. Mercier, Prime Minister,**



**MONTREAL:
THE HERALD COMPANY, LIMITED.
1891.**

2-1651

B2572

BAIE DES CHALEURS RAILWAY

COMPLETE OFFICIAL RECORD.

OFFICIAL CORRESPONDENCE

— BETWEEN —

His Honor the Lieutenant-Governor and
Mr. Mercier, Prime Minister.

GOVERNMENT HOUSE,
QUEBEC, September 7, 1891. }

THE HONORABLE HONORÉ MERCIER,

Prime Minister of the Province of Quebec, Quebec.

MR. PRIME MINISTER,—The Statute of Quebec, 54 Vic., cap. 88, enacts that it shall be lawful for the Lieutenant-Governor-in-Council to grant certain subsidies to aid the construction of the railways therein enumerated, and specially (par. J.) to aid in completing and equipping the Baie des Chaleurs Railway, throughout its whole length for the part not commenced and that not finished, about 80 miles, going to or near Gaspé Basin, a subsidy of ten thousand acres of land per mile, not to exceed in all 800,000 acres, payable to any person or persons, company or companies, establishing that they are in a position to carry out the said works, and to supply the rolling stock for the whole road, and keep it in good working order, and also upon condition that the balance of the privileged debts due by the Baie des Chaleurs Railway Company be paid, the whole to the satisfaction of the Lieutenant-Governor-in-Council.

When this enactment was submitted for the consideration of the Legislature, you made a speech, of which *L'Electeur* published a report on the 29th December, 1890 from which I quote the following:—

"We had, gentlemen, at one extremity of the country a railway for which the Province of Quebec has already made enormous sacrifices, the Baie des Chaleurs Railway. I will not yield to the temptation of saying what I think of those who received the money of the Province and of the Dominion for the purpose of building this road and who failed to do so. In matters of this importance, recrimination is not only useless but becomes dangerous. I would not advance the cause of public prosperity by resorting to recrimination at the present moment, but the facts are there and all can appreciate them. I need not, therefore, pass judgment upon them. All I will say is that this road received a subsidy of ten thousand acres of land for 180 miles, which amounted to 1,800,000 acres of land; at 85 cents for the first half, you can see to what an enormous sum of money this amounted. The Federal Government on its part granted a subsidy of \$3,200 per mile, and most unfortunately both governments consented to double up the subsidies of the second section on the first. When it was reported to us that the first section was completed, we paid, as did the Federal Government, the whole subsidy, so that the remaining section is now completely uncovered. Worse than that, the road not having been operated or used for two years, the works are in a hopeless condition. The culverts threaten to crumble, and the ties have in places been carried away by freshets. The embankments are not nearly as good as they were, as may be easily understood. It will, therefore, be necessary to lay out considerable additional sums of money to put that part of the road on which the doubling up was done in a fit

condition, that is to say, that part on which a double payment of the subsidy was made. We have decided to make a fresh sacrifice. As you will see by the statements which were laid before the House the other day, there are still a few thousand dollars due to workmen and to farmers that it has not been possible to pay, notwithstanding the generosity of the Legislature during the last session. We were not able to pay everything either because we had not enough money, and this is the principal reason, or because the proof of the claims came in too late. We ask of you a subsidy of 300,000 acres of land to complete this road, in addition to the 351,000 required for the construction of the bridge over the river Cascapeidia. We are in hopes of being able to treat to advantage with wealthy individuals or powerful companies. Grant Heaven that our expectations may be realized, and that we be not deceived once more. At all events, we shall be doubly cautious; we shall act with more prudence, and shall endeavor to complete this railway as far as Gaspé Basin, there to connect with the navigation of the Atlantic."

You are also reported by *L'Electeur* of the 21st November, 1890, in a speech on a motion made by Mr. Carrier, M. L. A., for the production of papers relative to the Baie des Chaleurs Railway, to have spoken as follows:—

You all remember the touching union of sentiment with which, during the last session, the House authorized the government to pay a sum of \$20,000 to the unfortunate laborers who had not been paid for their work on the railway. I wish every one of the members had time to read the sad tale which is about to be laid before the House. The relation of the saddest things is to be found therein. Poor laborers, with nothing but their work to depend upon, had not in the month of March last received their wages for the ten months previous, and these wages, the only thing they had to live upon and feed their families. This money, which had been furnished by the province, on condition that it would be used to pay these legitimate and privileged debts, had found its way into the pockets of speculators. More than that, the farmers, through whose lands the road passed, had not been paid, and when they presented themselves for payment of their rightful due, for answer they were turned out of the offices of the company. I remember one instance in particular. A poor fisherman, who owned a single lot, nearly the whole of which had been taken by the road, finding it impossible to work the small portion of it which remained to him, came to me and said: "Here is my position. I had a bit of land on which I raised the necessary products, such as potatoes, etc. Besides this I earned my livelihood by fishing. The railway has taken a part of my land; I cannot cultivate the balance and I have not been given a cent."

I sent for the special agent of the company—I speak of 1888—when I passed a short time in this part of the country. I asked him why he did not pay. He answered me: "I have not paid because the company has given me no money." Then, why do you take possession of the land without offering the money? "Because the company promised to send me the money at once, and to pay the amount agreed upon." You must then have put in claims? "Why, yes, I write at least three times a month, and I do not even get an answer. It is impossible for me to pay this good man a debt which we acknowledge to be due, and, for a good reason, because those who are at the head of the company are busy drawing the money but never pay it out. Such is the position."

How many such cases are there? Take, for instance, the poor laborers, who, during the winter, have made ties. They worked the whole winter; they brought them down the rivers amid great hardship; they delivered them to the company, and up to the last moment, when we stepped in, more than three-fourths of these people had not been paid. They gave their wood, their time, they spent the winter in the bush to earn a little money, and contributed by their labor to the construction of this road. Their wood had been used, and they were not paid; they were left to starve. Go ask the poor people who, for months, have fed the laborers who worked on the road and provided them with the necessary supplies. Go ask the poor tradesmen along the coast from whom provisions were obtained for the men. You will hear the same story repeated: "We have not been paid!" and at this moment, although we have paid more than \$50,000 and \$28,000 that remained of the money due to the other company, and \$20,000 that the House authorized us to pay, there still remain due some \$50,000 of privileged debts.

This has already been explained to you. Sixty miles of it have been partly built; 49 remain from Cascapeidia to Gaspé Basin, not an inch of which has been built. From Cascapeidia coming up you have about 60 miles of road partly constructed, but there are no bridges. When you reach the great River Cascapeidia, a magnificent stream, you require a bridge which will cost over \$150,000. Nothing has been done there either. At certain seasons of the year, in the spring and fall, it is physically impossible to cross it, and yet it is the great artery of communication in that region. All those who have to come up to take the cars at Campbellton must pass there. I say to those who do me the honor to listen to me, I say to the members of the Legislature of this country, who are gifted with intelligence and must have a heart, "You have there a people who rely upon you."

When you demanded of the Legislature the power to annul the charters of the railway companies that had not fulfilled their obligations to the province, you uttered, according to *L'Electeur* of the 27th December, 1890, the following words:—

What is this power for which we ask? Everybody knows that the House has for years voted considerable moneys in favor of certain railway companies. These companies were incorporated in a more or less inconsiderate manner. They have received the subsidies and they are bankrupt. We cannot get rid of them. There is no procedure which permits us, the Executive, to say to these companies which are either bankrupt or do not proceed with their work:—"Be gone, we want to build the railways which the province decided to build." There is no remedy. These are insurmountable obstacles, barriers thrown across the way, and you cannot remove them. Shall the progress of the whole province or of part of the province be arrested because individuals have formed companies that have taken the money of the Legislature and stand stock still? This is not as it was intended to be by the Legislature. The intent of the Legislature is that when a company does not proceed with the building of the railway it shall stand by; and if it does not stand by there must be some means to force it to do so. We cannot suspend the forward march of the whole country because certain parties find it profitable to speculate

with the money of the people. What is occurring at this moment? Take the Baie des Chaleurs. This company has asked that its subsidies should be doubled up. A subsidy of 10,000 acres of land per mile had been granted to for 180 miles, in all, 1,800,000 acres. The Federal Government had granted it \$3,200 per mile for 180 miles. Both governments have doubled up the subsidies, and now, the company after having received all the subsidies destined for the railway in the intention of those who voted it, stays the whole progress of that region, refuses to pay legitimate debts, refuses to pay for the land over which the railway passes, to pay for the ties that were made last winter by the unfortunate farmers, to pay for the provisions bought in the stores. This company remains, and when we say to others, "Do go and try to purchase the rights of the shareholders in order that things may proceed," the shareholders hold back for exorbitant prices. They have nothing in view but to make money at the expense of the public. We ask for the power to annul this charter in the public interest.

If we obtain the power, what will be the consequence? The shareholders will sell their rights at reasonable prices, and other people will be enabled to build the road.

Take other instances: You have the Montreal and Sorel Railway Company, to which we gave \$112,000 to pay certain claims and to complete the road. The claims have been paid, but the company refuses to complete the road, and, since that time, not only does the company refuse to obey us, but it does not even answer our letters. Do you think that is right? Why not cancel this charter, and allow responsible persons to build this road, which will afford an outlet for the wealthy inhabitants of Vercheres and Chambly? Public interest requires it; private interests are against it. I could give other instances, but I will be content to mention the two which appear to be the most flagrant.

I also find, in the issue of the 21st March, 1890, of the same paper, *l'Electeur*, in a report of observations made before the Legislative Assembly, concerning certain resolutions relating to the Baie des Chaleurs Railway Company the following:—

Mr. Martin complains that certain claims against the Baie des Chaleurs Railway have not been paid. Mr. Moroler answers him as follows:—

"No complaint could be more unjust than this. We have hitherto had nothing but thanks. We only pay privileged claims; we do not pay contractors' claims. We pay privileged claims, that is, those of farmers, when they prove them, and when they are accepted; we do not pay them when they are disputed. There are farmers whose land has been taken by the railway, and whom we cannot pay, because of litigation, or because arbitrations have not been held. We have paid the farmers who made the ties. When the amounts are admitted by the contractors we pay. We consider such claims to be privileged. The laborers who worked on the road are paid by us directly their claims are approved by the contractor."

In a record of the Department of Public Works and Railways, I find that in April, 1891, the government was taking steps to execute the legislation granting 800,000 acres of land to the Baie des Chaleurs Railway Company under the Act above cited; and I find there a telegram from the Hon. Mr. Robidoux, attorney-general, to the Hon. Mr. Garneau, of date the 17th April, 1891, from Montreal, in the following words:—

"THE HON. PIERRE GARNEAU, COMMISSIONER OF PUBLIC WORKS, QUEBEC:

"I fear to be detained here by illness longer than I thought. You may proceed to business in my absence. I ratify in advance all that you will do in the matter of the Baie des Chaleurs Railway. Langellier will tell you exactly what was decided upon before the departure of Mr. Moroler. I am informed that any delay in this matter may be prejudicial to the interests of the enterprise and of the province.

"(Signed,) J. E. ROBIDOUX."

On the same day, Mr. A. M. Thom made to the government the proposal embodied in the Order-in-Council No. 237.

Between the 21st and 23rd April, 1891, the Hon. Mr. Garneau, commissioner of public works and railways, came to confer with me on the subject of the proposal made by Mr. A. M. Thom and those whom he represented, for the reforming of the Baie des Chaleurs Railway Company—on the conversion into money of the subsidy of 800,000 acres of land at the rate of 35 cents per acre, making \$280,000—on the payment of the subsidy of \$50,000 for the building of the bridge over the Grand Cascapedia River, and the payment of the debts which, according to the law and the foregoing quotations, was to be made for the protection of the laborers, and of dealers in provisions against the contractors of this road and to settle for the right of way—and also regarding the appointment of a commissioner to make the payments.

I advised the Hon. Mr. Garneau to act with great caution and circumspection in this matter. I reminded him that the construction of this railway had already given considerable trouble in the county of Bonaventure, and I begged of him to see that all be done according to law, and on the report of the attorney-general. He told me that he had the report of the Hon. Mr. Charles Langellier, but I pointed out to him that this was not the report of the proper officer. He told me he would communicate with the Hon. Mr. Robidoux, who was lying ill at the time, and thereupon he took his leave.

On the 23rd, the Hon. Mr. Garneau again called on me, with reference to this matter, informing me that the committee of the executive had adopted a report on the subject of the Baie des Chaleurs Railway Company, and another appointing a commis-

sioner to make the payments authorized by law. I repeated my advice to him to act with prudence and circumspection; and he informed me that the attorney-general had reported to him that everything was in conformity with the law, but that, as he was ill he required a few days to write out his report in its final shape, and he (Hon. Mr. Garneau) assured me that he would see that special instructions were given to the commissioner.

On the 23rd, after this interview, I sanctioned two reports of the committee of the executive, which became the following orders-in-council:—

Copy of a Report of a Committee of the Honourable the Executive Council, dated 21st April, 1891, approved by the Lieutenant Governor on the 23rd April, 1891.

No. 237. Concerning the Baie des Chaleurs Railway.

The Honourable the Commissioner of Public Works, in a report dated 20th April instant (1891), sets forth that he has received a letter from Mr. Angus N. Thom, of date the 17th April instant, reading as follows:—

QUEBEC, 17th April, 1891.

TO HONOURABLE P. GARNEAU,

Commissioner of Public Works and Prem'ier *ad interim*.

SIR,—We are in a position to secure the transfer of the charter of the Baie des Chaleurs Railway if the following proposition is accepted by the Government, the company under the management of a new board of directors will be prepared to go on with the works, complete the road and have it ready for traffic on or before the 31st December, 1892, from Metapedlia to Paspébiac, and thence to Gaspé Basin as soon as circumstances will permit.

For the carrying out of the present proposition it is understood that the Government shall pay the company:—

1. The balance of the subsidy granted by the Statutes of Quebec 45 Vic., chap. 2, and its amendments, and 51-52 Vic., chap. 91, sec. 12, amounting to \$260,000 to be payable as earned.

2. The subsidy of \$50,000 granted by the statute of last session, 54 Vic., chap. 88, sec. 1, sub-sec. I, to be payable as soon as a bridge over the Grand Cascadepdia is finished and accepted by the Government.

3. To comply with the intention of the law these subsidies of 800,000 acres of land granted by the Statutes of last session, 54 Vic., chap. 88, sec. 1, sub-sec. J, shall be converted and the proceeds thereof shall be used by the Government to pay the legitimate and privileged claims, in accordance with the above Act, now existing against the road or against the company; and if any surplus should exist after the payment by the Government of all claims now existing against the said road as aforesaid, such surplus, if any, shall go to the new company on final settlement.

The said debts and claims after they shall have been approved and certified by Mr. Thom, representing the company, shall be paid by a person appointed by the Government for that purpose, and failing such approbation and such certificate by Mr. Thom, they shall be paid upon a judgment or arbitrators' report in favour of any payment. When the commissioner appointed by the Government shall accept a claim and Mr. Thom refuses his certificate and approbation, then and in each case the claimant has an absolute right to an arbitration, and the decision of the arbitrators shall then state that the costs incurred shall be paid by the party against whom the decision is given. If Mr. Thom fails to appoint an arbitrator after fifteen days notice to do so, the commissioner may then pay the claim, and his action shall be binding on all parties.

As a guarantee that they will go on with the works, build, complete and run the road, the company will deposit with the Government bonds of the actual emission to the amount of five hundred thousand dollars (\$500,000) which shall be exchanged for an equal amount of bonds of another issue of same amount and value in case the company would deem proper to cancel the present issue and replace with others or other satisfactory security in lieu thereof, it being distinctly understood that the company will be handed back the bonds or other security so deposited on the completion and equipment of the road to Paspébiac.

The board of directors of the company under the new organization shall be composed as follows:—James Cooper, of Montreal; J. P. Dawes, of Lachine; Alexander Ewing, of Montreal; James Williamson, of Montreal; Angus M. Thom, of Montreal; and two other persons to be named by the Government.

On the sixty miles of the said road comprised between Metapedlia and the big river Cascadepdia, the company will resume the works as soon as they can take possession of that section, and on the forty miles ending at Paspébiac, surveys will be commenced as soon as the present proposition is accepted and the works will proceed with the utmost diligence.

The whole respectfully submitted.

(Signed)

A. M. THOM.

And upon the said A. M. Thom, and the persons in the name of whom he acts and whom he represents obtaining a transfer of the charter of the Baie des Chaleurs Railway, and seeing that persons mentioned in the propositions above cited have the necessary means to carry out the enterprise, as required by the Statute of last session, 54 Vic. chap. 88, section 1, sub-section J, and seeing that it is in the interests of the province to accept it, the Honourable Commissioner of Public Works recommends that the said proposition be accepted as follows, that is to say:—

1. To re-organize the Baie des Chaleurs Railway Company.

2. To construct and put in operation on or before the 31st December, 1892, the one hundred miles of the said railway comprised between Metapedlia and Paspébiac, and the remainder as far as Gaspé Basin as soon as circumstances will permit.

3. To continue the works on the sixty miles comprised between Metapedia and the river Grand Cascapedia, as soon as the company shall be able to take possession of this part of the road, that is to say as soon as the claims which are not contested shall have been paid; which shall be done at the diligence of the Government between now and the 10th May next, at the latest, but without recourse against the Government in default of such diligence, to commence the explorations upon the forty miles between the river Grand Cascapedia and Paspebiac, as soon as the proposition shall be accepted, and push them on with the utmost dispatch.

4. That the first Board of Directors of the said company shall be composed of the following persons: James Cooper, of Montreal; J. P. Dawes, of Lachine; Alexander Ewing, of Montreal; Angus M. Thom, of Montreal; James Williamson, of Montreal, and of two persons named by the Government.

c. To deposit as a guarantee in the hands of the Government five hundred thousand dollars of debentures or bonds of the company of the present issue or any other satisfactory guarantee with the privilege of exchanging the said debentures or bonds for an equal amount of debentures or bonds of any other issue, not to exceed however the actual issue and of the same value in case it shall be judged expedient to withdraw the present issue; which debentures or bonds or other guarantees shall be returned by the Government to the company as soon as the road shall have been finished to Paspebiac.

On condition:

1. That the balance, to wit, \$260,000 of the subsidies granted to the said railway by 45 Vic, chap. 23 and its amendments and 51-52 Vic, ch. 91, sec. 12, shall be paid to the company in proportion as the same shall have been earned according to law.

2. That the subsidy \$50,000 (fifty thousand dollars) granted by the statute 54 Vic. chap. 88, sec. 1, sub-section I, shall be paid to the company as soon as the bridge over the river Grand Cascapedia shall have been constructed and accepted by the Lieutenant Governor in Council, upon a report of the Government Engineer.*

3. That the Government binds itself to pay the company with the subsidy of 800,000 acres of land granted by the statute 54 Vic., chap. 88, section 1, sub-section J, converted into money, which subsidy shall be kept by the Government and employed by it to pay the actual debts of the Baie des Chaleurs Railway; and the surplus, if any, shall be, after the payment of all claims actually existing against the company, kept by the Government, which shall render an account thereof to the company in final settlement.

That the said debts and claims after they shall have been approved of and certified by Mr. A. M. Thom, representing the company, shall be paid by a person named for that purpose by the Government; and in default of such approbation and such certificates they shall be paid upon a judgment or report of arbitrators in favour of any claimant. In the case of the Commissioner named by the Government accepting a claim and of the said Mr. Thom refusing his certificate, then and in each case the claimant shall have an absolute right to an arbitration and the award of the arbitrators shall then declare that the costs shall be at the charge of the party who shall fail; and in default of the said Thom to name an arbitrator after fifteen days' notice so to do, the Commissioner may pay the claim for all purposes whatever of law, and his action shall bind all the parties.

Certified,

(Signed)

GUSTAVE GRENIER,

Clerk of the Executive Council

COPY of a Report of a Committee of the Honourable the Executive Council, dated the 21st April 1891, approved by the Lieutenant-Governor, 23rd April, 1891.
No. 233.

As to the nomination of a Commissioner to pay the claims against the Baie des Chaleurs Railway Company.

The Honourable the Commissioner of Public Works in a memorandum dated twenty-first April instant (1891), recommends that Mr. J. C. Laugel, Assistant-Registrar of the Province, be named a Commissioner to pay the claims against the Baie des Chaleurs Railway Company, in conformity with the dispositions of the Order in Council number 237 of the 23rd April, 1891.

Certified,

(Signed)

GUSTAVE GRENIER,

Clerk of the Executive Council.

I find that in conformity with the recommendation made by me to Hon. Mr. Garneau, he gave on 24th April, 1891, the following instructions to the commissioner appointed:—

"(L. E. 1356, L. R. No. 636.)

" DEPARTMENT OF PUBLIC WORKS,
" QUEBEC, 24th April, 1891.

"J. O. Langelier, Esq., Deputy Registrar of the Province, Quebec.

"SIR,—As you have been appointed a special commissioner by Order-in-Council No. 236, of date the 23rd instant, to pay the claims against the Baie des Chaleurs Railway Company, in conformity with the Order-in-Council No. 277, passed on the 23rd instant, I think it proper to authorize you to at once examine and verify those outstanding claims and to decide which shall be considered as privileged debts legitimately due by the company or by the contractors of the Baie des Chaleurs Railway, or of the sections of this road between the 20th and 70th miles beyond the little River Cascapedia in the direction of Paspébiac, according to the prescriptions and conditions mentioned in the said Order-in-Council No. 237. And when you will be in a position to give me detailed statements, with documents in support thereof, of the privileged claims, whether contested or not, payment of which you will be prepared to make in conformity with said Order-in-Council No. 234, and of the Act therein mentioned, 54 Vict., chap. 88, sec. 1, par. J., I shall place at your disposal, as you shall want them, the amounts required to pay the privileged claims approved of, or for which a judgment or the award of the arbitrators shall have been given, and this by means of requisitions to be made by the undersigned to the honorable the Provincial Treasurer, on the subsidy of 800,000 acres of land converted into money, which subsidy was granted by the statute (paragraph J.) to aid the completion and equipment of the said railway for a distance of 80 miles, as determined in the same statute, on condition that you furnish me, on demand, with a detailed statement, special or general, of the sums which you shall have paid out of the funds so placed at your disposal, with a general report, supported by receipts and vouchers, on the result of your operations: the whole according to the prescription and conditions set forth in said Order-in-Council No. 237 and said Act, 54 Vict., chap. 88, sec. 1, par. J. The expenses occasioned by such verification and such privileged claims approved or adjudged to be due shall be taken out of the said subsidy converted into money and paid to you on presentation of your account in detail.

"I remain, sir,

" Yours, etc.,

" P. GARNEAU,
" Commissioner."

On the same day, the 24th April, 1891, Mr. J. Chrysostome Langelier, the commissioner appointed, by a letter addressed to the Hon. Mr. Garneau, gave him the list of claims handed into the government against the Baie des Chaleurs Railway but not paid, amounting to \$57,073.54, and informed him that others would probably be forthcoming as soon as payments should commence. Your declarations made in the House, as quoted above, that about \$50,000 of privileged debts remained to be paid, and the letter of Mr. Jean Chrysostome Langelier to the Hon. Mr. Garneau, correspond closely enough to show approximately what part of the grant of 800,000 acres of land converted into money was to be used to pay the claims foreseen by the law, the balance being destined for the building and completion of the road.

Between the 23rd and 26th April, the Hon. Mr. Garneau again conferred with me on this matter of the Baie des Chaleurs Railway. He told me that strong pressure was being brought to bear upon him, that he was required to do things that were repugnant to him, that threats were made to him of cabling to the Hon. Mr. Mercier, and he added that he was inclined to resign. I said to him: "These threats are futile. Under the circumstances, I think, that being the Prime Minister accredited to me during the absence of the Hon. Mr. Mercier, you cannot leave me without an adviser; what you have to do is to resist and to conform in all respects with the law." He appeared to me reassured and left.

After the recovery of the Hon. Mr. Robidoux, the Hon. Mr. Garneau gave me a copy of the report of the attorney-general, wherein I read, among other things, the following:—

There is another point which is not specially within my attributes and upon which I have been requested to express an opinion: Is the contract implied in the order-in-council of the 23rd April, such a one as I should have concurred in had I been present when the order-in-council was passed?

I have no hesitation in saying that I concur in the order-in-council and that I approve of it. I approve of it for two reasons. First, because I believe that it was of the highest importance to take the Baie des Chaleurs Railway out of the hands of the old company; the second reason for which I would have concurred in the order-in-council, is the solvency of the parties who compose the Baie des Chaleurs Railway Company as reorganized, and their unquestioned reputation for uprightness in business. In this I find a sufficient guarantee that the company will carry out its undertaking.

Before the 7th July, 1891, the Hon. Mr. Garneau called upon me again with respect to this matter, and informed me that he had received a letter from the honorable the Prime Minister (then in Europe), in which the latter declared himself satisfied with the transaction concerning the Baie des Chaleurs Railway Company.

After what is premised I am justified in believing, up to the time, that certain revelations to which I will refer hereinafter were made, that the government would conform to the law in the settlement of this matter.

Incidental to the consideration of a bill promoted by the Baie des Chaleurs Railway Company in the Parliament of Canada, and referred to the Committee on Railways, Telegraphs and Harbors of the Senate on the 4th August, 1891, sworn witnesses declared that on the 28th April, 1891, the Hon. Mr. Garneau, acting as prime minister *ad interim* and provincial treasurer, signed, payable to the order of Mr. J. Chrysostome Langelier, the commissioner appointed under the Order-in-Council No. 238, a letter of credit on the Union Bank of Canada for the sum of \$100,000, payable on or before the 10th July then next, bearing interest at 5 per cent. from the 1st June until payment, and another letter of credit on La Banque Nationale for the sum of \$75,000, payable on or before the 10th of July, 1891, bearing interest at 5 per cent. from the 1st June then next until payment; that these letters of credit were endorsed by the government commissioner, and that the proceeds thereof were paid to Mr. C. N. Armstrong, contractor of the Baie des Chaleurs Railway Company.

Witnesses heard before the same committee have also revealed certain circumstances which preceded and followed the issuance of these letters of credit and the use to which they were put. It was declared under oath that long before the 28th April, 1891, probably in the course of January preceding, Mr. Ernest Pacaud, editor of the newspaper *L'Electeur*, of Quebec, and Mr. C. N. Armstrong met at the St. Louis hotel, in Quebec; that the last named party asked Mr. Pacaud whether he thought the government would be disposed to negotiate with other persons on the subject of the Baie des Chaleurs Railway, in case the negotiations then being carried on with Messrs. John Macdonald and Cameron should fall through, and Mr. Pacaud answered that he thought so; that about two weeks later Mr. Pacaud informed Mr. Armstrong that the government was so disposed.

That on the evening of the 12th March, Messrs. Armstrong and Pacaud again met at the Windsor hotel, in Montreal, and agreed to meet on the following day on the train going from Montreal to New York.

That on the following morning, the 13th, Mr. Armstrong being on a Pullman, had a conversation with Mr. Pacaud about the negotiations already entered upon; that Mr. Pacaud thereupon waited with the members of the government of the Province of Quebec, who were in an original car attached to the same train, the Hon. Messrs. Mercier, Robidoux, Shehyn and Charles Langelier; that when the train stopped at St. Johns, Mr. Pacaud told Mr. Armstrong that the matter would be arranged satisfactorily as soon as the government should be made aware that Messrs. Macdonald and Cameron had withdrawn, but that they had as yet received no positive information on this last point.

That after this interview, Mr. Armstrong received a telegram from Mr. Pacaud dated at New York, informing him that if he, Armstrong, wished to see the members of the government he should come with a member of his syndicate to New York.

That on receipt of this telegram Messrs. Armstrong and A. M. Thom went to New York, where they met Mr. Pacaud and Hon. Messrs. Robidoux and Charles Langelier at the Brunswick Hotel, and that they spoke together of the arrangements to be made with the new syndicate to effect the construction and completion of the Baie des Chaleurs Railway; that it was then understood that unless further news was had of Messrs. Macdonald and Cameron, or if no arrangement was made with them within a few days, the government would be disposed to deal with the new syndicate.

That upon his return to Montreal, Mr. Armstrong received a telegram from Mr. Pacaud within the delay agreed upon, informing him that the government having received no news from Montreal, were free to treat with the new syndicate.

That in the interviews between Messrs. Pacaud and Armstrong, in answer to a question of Mr. Armstrong, Mr. Pacaud informed him that he would undertake to procure a settlement of the matter if Mr. Armstrong would give him \$100,000.

After the issuing of the letters of credit the letter for \$75,000 was presented for discount to La Banque Nationale. Mr. Caboury, president of this bank, swears as follows in answer to questions put to him:—

Q. You are president of La Banque Nationale and live in Quebec? A. Yes.

Q. Your bank was requested to discount two letters of credit issued by the Government of Quebec, was it not? Yes, for \$75,000.

Q. Were you not requested to discount \$100,000? A. We were requested to do so subsequently.

Q. At what date were you requested to discount the \$75,000 letter of credit? A. It was discounted on the 29th April, 1891. We must have been requested the day previous. I think that the cashier of the Union Bank came to our bank and proposed this. His name is Mr. Webb.

Q. Tell us the conversation which took place between Mr. Webb and yourself on the 28th April. First, who came with him? A. He was alone.

Q. Now, tell us the conversation. A. As well as I can remember he said he was offered a discount of two letters of credit, one for \$75,000 and the other for \$100,000, and he asked us if we would cash the \$75,000 one that he would do the other. After enquiry and consultation among our directors and our lawyers we discounted on the 29th the letter of credit for \$75,000.

Q. And the proceeds of this discount went to the credit of Mr. J. C. Langelier, *commissaire*? A. Yes.

With respect to the use made of this \$75,000, forming part of the \$175,000 paid by the government to Mr. Armstrong, Mr. J. C. Langelier in his sworn deposition says:—

Q. Where did you sign the cheques that were drawn against the \$75,000? A. In the office of the Banque Nationale; I said so before.

Q. Do you remember how many cheques there were? A. I think there were four.

Q. Here they are referred to in exhibit 15. Give us the amount? A. I cannot remember the amount.

Q. Look at the exhibit? A. I will look as you please, but I know nothing of it.

Q. There were three on the 28th April. A. Yes.

Q. You signed these in the office of La Banque Nationale? A. Yes.

Q. One was for \$31,751, and another for \$34,000, and another for \$10,000? A. Here is how it occurred. Mr. Armstrong came down and divided the amount according to what they needed. They fixed the amounts of the cheques as they wanted them, and asked me to sign them. They had arranged that with the cashier of La Banque Nationale, Mr. Lafrance, who himself wrote the cheques.

Q. You signed the cheques in La Banque Nationale for \$74,111.64? A. Yes, but not at that time. At that date it was \$71,000 and something.

Q. Afterwards you signed a cheque for \$111.64 on the 1st May? A. Yes.

Q. And one for \$2,250 on the 1st July? A. Yes; there was a certain amount kept for interest, and then the \$2,250 was kept by the bank in case the letter of credit should not be paid on the date it was due.

Q. You checked out the \$111.64 the balance of what the bank was willing to advance at once? A. Yes, Mr. Lafrance made all the calculations and he agreed with Messrs. Thom and Armstrong about all these details.

Q. When you were there? A. Yes, it was before me. They went there the evening before, and the arrangement was carried out the following morning. I am not sure, as I had no interest in it. I had Mr. Armstrong's receipt in my hand and I did not care about the rest and they agreed about the details as they wished.

Q. And Mr. Lafrance kept \$2,250 to cover the interest in case the letter of credit should not be paid? A. Yes.

Q. So these cheques which we have mentioned form the whole of the proceeds of the discount which had gone to your credit? A. Yes.

The letter of \$100,000 hereinabove mentioned, was offered for discount to the Union Bank, Mr. E. E. Webb, the cashier of the said bank, swears as follows:—

Mr. Pacaud came to see me at the bank and asked me if we would entertain the discount of the letter of credit for \$175,000.

Q. When was that? A. About the end of April. We had several conversations about the letter of credit, and I told him that we would entertain it, and the matter was finally divided. I spoke to Mr. Gaboury of La Banque Nationale, and they had decided to take a portion of the letter, if satisfactory. The letter was finally divided into two, \$100,000 for discount at the Union Bank and \$75,000 at the Banque Nationale. After the letters were issued and the matter submitted to our board it was decided that we should not make the advances. It was considered not exactly a legitimate banking transaction. I advised Mr. Pacaud of this. * * *

Q. What was the proposal made to you in regard to a series of entries to be made in your books? A. Simply that he should have a portion of this money on deposit until the letter of credit was paid, as I have already said.

Q. Was there any proposal made in regard to a series of entries to be made in your books which would not have been true entries? A. Well, we considered that discounting the letter of credit without paying out the proceeds was not exactly a correct transaction.

Mr. Barwick—I will repeat my question again. Was there a proposal made in regard to a series of entries to be made in your books which would not have been true entries? A. The proposition was to discount the letter of credit and to place it to the credit of Mr. J. C. Langelier, *commissaire*, to charge these cheques against it—

Q. What cheques? A. These five \$20,000 cheques against it.

Q. As if they had been paid? A. As if they had been paid; and place a portion of it to Mr. Pacaud's credit.

Q. Which he could draw at once? A. Yes. And the balance to remain on deposit to be withdrawn after the letter of credit had been paid.

Q. That is, Mr. Pacaud wanted you to give him \$40,000 immediately, and go through the form of giving him the balance, whereas in fact he would not have got this balance until that balance had been paid, when the letter of credit was cashed? A. He would not have drawn the balance.

Q. And to that proposition your bank would not lend itself? A. No.

The evidence of Mr. J. Chrysostôme Langelier, government commissioner, and of Mr. C. N. Armstrong, shows that Mr. J. Chrysostôme Langelier went, some time about

the end of April, to the office of Mr. Pacaud in *L'Electeur* building, Lower Town, Quebec; that Mr. Armstrong met him there, that Mr. J. Chrysostôme Langelier made out a cheque for \$100,000 to the order of Mr. C. N. Armstrong. Mr. Armstrong and Mr. Pacaud went into an adjoining room, and on their return Mr. Armstrong asked the government commissioner to substitute five cheques of \$20,000 in lieu of the cheque of \$100,000, which Mr. J. Chrysostôme Langelier did, after having destroyed the cheque for \$100,000.

The following is to be found in the testimony of Mr. Armstrong:—

Q. With whom did you go to Mr. Pacaud's office? A. To the best of my memory I went alone.

Q. Had you the cheques with you when you went there? A. No.

Q. Were the cheques endorsed? A. I endorsed the cheques when I was there.

Q. Did you have an appointment? A. I don't think so.

Q. What purpose did you go there for? A. I don't know that I had any special purpose; I often dropped in to see him.

Q. Did you go there for the purpose of endorsing the cheques? A. No; for my impression was that they would settle the matter of \$100,000 between themselves, and I was surprised when I was asked to endorse the cheques.

Q. You understood that Mr. J. Chrysostôme Langelier would pay the money direct to Mr. Pacaud? A. They had a letter of credit, and I thought they would arrange it among themselves. I understood the money would be paid direct.

Q. What did Mr. Langelier say to you when you went in? A. I don't know. He handed me the cheques and said: "Here is the \$100,000," and then Mr. Pacaud made me a sign to go into the back room.

Q. Show me the sign he made. A. I did not carry the sign away with me. It might have been a beckoning with his finger or with his head; at all events I understood it was to go into the inner room.

Q. You had been there before? A. Yes.

Q. Mr. Langelier handed you the cheques and Mr. Pacaud gave you the sign and you walked into the inner office with Mr. Pacaud, you carrying the cheques in your hands? A. I do not know. I am under the impression that I did.

Q. Did Mr. Pacaud receive these cheques from Mr. Langelier's hands or did you? A. I did. I am positive on this point. I went into the other room, endorsed the five cheques and handed them to Mr. Pacaud in the inner room.

Q. Mr. J. C. Langelier remaining in the outer room all the time? A. It was not very long.

Q. Did you sign the receipt for \$175,000 in Mr. Pacaud's office? A. No, I signed it on the 28th in Mr. Langelier's office.

Questioned on the reason for his agreeing to give, out of the \$175,000, \$100,000 to Mr. Pacaud, Mr. Armstrong said:—

Q. Why did you pay Mr. Pacaud \$100,000? A. Well, on the principle that half a loaf is better than no bread. In order to get a settlement so that I could get anything at all out of the monies I invested in these works I was obliged to treat with Mr. Pacaud.

Q. Why were you obliged to treat with Mr. Pacaud? A. Well, he seemed to be the best person to deal with down there.

Q. He was a go-between? A. Well, that is the best way to put it perhaps.

Q. Had you used Mr. Pacaud before as an intermediary with the local government? A. Well, hardly as an intermediary; he had looked after the payment of some subsidies for me in connection with the same road.

Q. How much had you to pay him on these subsidies? A. An ordinary commission amounting to 2½ per cent probably.

Q. On how much did you pay Mr. Pacaud 2½ per cent? A. I do not remember the exact amount. I dare say that the commissions paid amounted probably to \$15,000, stretched over two or three years' time.

Q. That was before the \$100,000 was paid? A. It had nothing to do with the \$100,000.

Q. So Mr. Pacaud has cost you \$115,000? A. Well, if you like to put it that way.

Q. That is about it? A. That is about it.

This opinion of Mr. Armstrong seems to have been shared by Mr. John J. Macdonald, who, being heard as a witness, declares that while negotiating with respect to the same matter he had figured from past experience, that he would require \$50,000 for Mr. Pacaud during the progress of the works, and that he considered Mr. Pacaud as a necessary agent in dealing with the government.

Witnesses show how Mr. Pacaud used part of the \$100,000 received from Mr. Armstrong under these circumstances.

On the 6th July Mr. Pacaud had to the credit of his account at the Union Bank the sum of \$1,550; on the 10th July he deposited three cheques of the government commissioner, Mr. J. Chrysostôme Langelier, to the order of Mr. C. N. Armstrong for \$20,000 each, making in all \$60,000. On the 11th July a note of \$3,000, to fall due on the 14th August, was paid—a note for which Mr. Pacaud and the Hon. Mr. Mercer and others were joint debtors to the Union Bank; an equal amount is carried to the debit side of Mr. Pacaud's account, balancing against the credit of the 6th July of \$1,550 and \$1,450 of the \$60,000 above mentioned. On the same day, 11th July, a note of \$5,000, to fall due on the 13th July, was paid, for which Mr. Pacaud and the Hon.

Messrs. Mercier, Chas. Langelier and others were jointly liable to the Union Bank; and equal amount is debited to Mr. Pacaud's account against so much of the \$60,000 above mentioned. Mr. Webb says that apparently these two notes were paid by cheques of Mr. Pacaud drawn against his account current at the said bank.

On the 15th May Mr. Pacaud discounted at La Banque Nationale a note signed by him and endorsed by Mr. P. Vallière for \$20,000, guaranteed by one of the five cheques of \$20,000 signed by Mr. J. Chrysostôme Langelier, government commissioner, and endorsed by Messrs. C. N. Armstrong and Philippe Vallière; the proceeds of this discount, \$19,732.60, were deposited to the credit of Mr. Pacaud's account, no other funds standing to the credit of this account; and on the same day, according to a promise made to the cashier of La Banque Nationale, when the above mentioned \$20,000 were discounted, Mr. Pacaud, by cheque drawn against his account, paid a note to fall due on the 18th May, amounting to \$5,000, for which he himself, the Hon. Messrs. Mercier, Charles Langelier and others were jointly liable to La Banque Nationale; the same day (15th May), Mr. Pacaud bought, by a cheque drawn against the same account, a bill of exchange on Paris, in favor of the Hon. Mr. Mercier, to the amount of \$5,000, which yielded 25,500 francs. This note of Mr. Pacaud's for \$20,000 out of the proceeds of which the two amounts of \$5,000 were taken was paid for by the cheque of \$20,000, signed by the government commissioner, which was annexed to it.

As to the respective positions of the government and the Baie des Chaleurs Railway Company, as originally formed or as re-organized, and of Mr. C. N. Armstrong at the moment this transaction took place, the investigation disclosed what follows:—

1. That the government owed nothing to the original or re-organized company for subsidies earned.

2. That the company owed no money payments to its contractor, Mr. C. N. Armstrong. By his contract with it Mr. Armstrong was entitled to \$20,000 per mile, payable, 1. by the subsidies earned; 2. by the debentures of the company as the balance of the stipulated price. He had a right, moreover, after full completion of the road, to receive one half of the shares of the company. All the subsidies earned having been received by Mr. Armstrong or paid on his account, there remained nothing due to him but the company's debentures. The company in settling Mr. Armstrong's account declined to state that the sum to which it amounted was "due;" it only signed an acknowledgment to the effect that the claim of \$298,943.62, "is a correct statement of estimates of work done and remaining unpaid," to show that this sum was not exigible in money.

3. That Mr. Armstrong so understood the situation, as he admitted in his evidence that the government was not responsible to him; that if the government had owed him anything he would not have consented to reduce his claim, and that in accepting in payment of his claim reduced, \$175,000, subject to the condition of giving \$100,000 to Mr. Pacaud, he considered he had still made a good bargain.

Mr. Prime Minister, I have not had the intention to give, in what precedes, a complete resume of the facts revealed at the investigation before the Committee of the Senate, charged with the examination of the bill promoted by the Baie des Chaleurs Railway Company in the Parliament of Canada. My only object was to point out some of the salient points of these revelations, which have caused me great alarm.

I bring particularly to your notice that the mode of raising funds by letters of credit without the sanction of the representative of the Crown is not acknowledged by the law. By such means, in the present case, the government drew the sum of \$175,000 out of the treasury without having recourse to the sanction of the Lieutenant-Governor as the law required. It must be observed that in this case, no order-in-council was ever passed authorizing the treasurer of the province to withdraw any sum of money from the treasury. The Order-in-Council No. 237 is merely a conditional acceptance with amendments of the proposition made by Messrs. Thom and others, with the promise to pay eventually 1. the balance of the subsidy voted by 45 Vict., ch. 23, and its amendments and 51-52 Vic., ch. 91; 2. the subsidy granted for the bridge over the Grand Cascapedia; 3. the subsidy of 800 000 acres of land converted into money, and to appoint a commissioner to effect, with the approval of Mr. Thom, or after judicial decision or award of arbitrators, the payment of certain debts of the railway.

I find that the mode of binding the finances of the province by means of letters of credit, without the sanction of the representative of the Crown, is prejudicial to the public credit. This seems to me to be quite evident from the steps which it was found necessary to take in order to make use of the letters of credit issued by the

government and the cheques given by its delegate. The Union Bank refused to discount the letter of credit for \$100,000, and only consented to hold it for collection. At La Banque du Peuple it became necessary to attach to the cheque of the government commissioner a note of Mr. Philippe Vallière, and to give through Hon. Mr. Langelier, a promise that a deposit of \$50,000 would be made out of the proceeds of the loan of \$10,000,000 (Dumoulin, witness), to obtain discount to the amount of \$20,000. At La Banque Nationale it became likewise necessary to attach to the cheque of the government commissioner a note of Mr. Ernest Pacaud, endorsed by Mr. Philippe Vallière, to obtain discount for another sum of \$20,000.

It would appear that the government, when paying \$175,000 to Mr. Armstrong, made a payment to a person to whom it owed nothing and to whom the Baie des Chaleurs Railway Company owed debentures only; that in view of the evident intent of the Act 54 Vict., ch. 88, paragraph J., and of your declarations made to the House, the government, even with the consent of the company as re-organized, should not have paid Mr. Armstrong any part of the \$280,000 before the company had been entitled to them by works to be performed, the pretensions of Mr. Armstrong not coming within the category of the debts of which the statute authorized the settlement before the subsidy was earned through works done; that when it paid Mr. Armstrong the sum of \$175,000 the government paid it to the person against whom creditors of the class mentioned in the statute were to be protected; and that, at all events, the sum of \$100,000 which went to Mr. Pacaud, has deprived by so much, a public enterprise of the subsidy granted it by a vote of the Legislature.

There would seem to exist between the government and the creditors of the province a barrier at which tribute is levied before justice is done to claimants.

Under these circumstances, it becomes my duty:

1. To require explanations on this matter of the Baie des Chaleurs Railway.
2. To request your concurrence in the appointment of a Royal Commission, consisting of three judges, authorized to hold an investigation, and to report upon the facts and circumstances which preceded, accompanied, induced and followed the transactions entered into under the Act 54 Vict., ch. 88, in so far as it relates to the Baie des Chaleurs Railway Company.

I suggest that this commission be composed of the Hon. Mr. Louis A. Jette, judge of the Superior Court; Hon. Mr. Louis Francois George Baby, judge of the Court of Queen's Bench; and the Hon. Mr. Charles Peers Davidson, judge of the Superior Court.

Until further orders I require you also to limit the action of the government to acts of urgent administration, and I revoke the appointment of the Deputy Lieutenant Governor, made under the Treasury Act, to sign warrants on the Consolidated Revenue Fund, under article 765 of the Revised Statute of the Province of Quebec, and I pray you to give notice of such revocation to whom it may concern.

I have the honor to be, Mr. Prime Minister,

Your obedient servant,

(Signed,) A. R. ANGERS,
Lieut.-Governor.

References:—

Record of the Department of Public Works and Railways.
Proceedings of the Committee of the Senate entrusted with the examination of the Bill presented to the Parliament of Canada by the Baie des Chaleurs Railway Company.

(Signed,) A. R. ANGERS,
Lieut.-Governor.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, Sept. 8, 1891.

HONORABLE A. R. ANGERS,
Lieutenant-Governor of the Province of Quebec.

MAY IT PLEASE YOUR HONOR:—Your secretary, Mr. J. C. Tache, handed me this morning about 11 o'clock the document which your said, in your letter of Sept. 1 instant, you were engaged in writing to me. I had only just time to submit it to my colleagues and I will draw up my reply as soon as possible. I have informed Mr.

Gustave Grenier, the clerk of the Executive Council, that you were pleased to revoke the powers conferred upon him to sign money warrants. Pray accept the assurance of the high consideration with which I have the honor to be,

Your Honor's most humble and obedient servant,
(Signed) HONORÉ MERCIER,
Prime Minister.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, Sept. 15.

HONORABLE A. R. ANGERS,

Lieutenant-Governor of the Province of Quebec.

SIR,—I have the honor to forward you by my secretary, my reply to your letter of the 7th instant. I have to go to Montreal on Thursday, the 17th instant, to open the exhibition, and I would like to leave to-night or to-morrow for Montreal. However, I am at Your Honor's disposal, and I would be obliged if you could let me know during the course of the afternoon whether I can leave. I will return on Friday, the 18th inst, in the afternoon. Pray accept the assurance of the high consideration with which I have the honor to be,

Your obedient servant,
(Signed), HONORÉ MERCIER,
Prime Minister.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, September 15, 1891.

MAY IT PLEASE YOUR HONOR: On the 8th inst I had the honor to acknowledge the receipt of your letter which I received at 11 o'clock in the morning and dated the day before, respecting the question of the Baie des Chaleurs Railway and to state that I would reply to it as soon as possible. This I hasten to do to-day. Your letter concludes as follows:

"Under these circumstances, it is my duty:

1. "To require explanations on this matter of the Baie des Chaleurs Railway;
2. "To request your concurrence in the appointment a Royal Commission consisting of three judges authorized to hold an investigation and to report upon the facts and circumstances which preceded, accompanied, induced and followed the transactions entered into under the Act 54 Vict., chap. 88 in so far as it relates to the Baie des Chaleurs Railway Company;

"I suggest that this commission be composed of the Hon. Mr. Louis A. Jetté, judge of the Superior court; hon. Mr. Louis François George Baby, judge of the Court of Queen's Bench; and the Hon. Mr. Charles Peers Davidson, judge of the Superior court.

"Until further orders I require you also to limit the action of the Government to acts of urgent administration and I revoke the appointment of the Deputy-Lieutenant-Governor made under the Treasury Act, to sign warrants on the Consolidated Revenue Fund, under Article 765 of the Revised Statutes of the Province of Quebec, and I pray you to give notice of such revocation to whom it may concern."

My colleagues and myself have decided to comply with Your Honor's request and limit our action, until further orders, to acts of urgent administration, and I have communicated Your Honor's order to Mr. Gustave Grenier, clerk of the Executive Council.

It only remains for me, therefore, in order to fully comply with Your Honor's desire:

1. To give you the explanations you ask for with reference to the Baie des Chaleurs Railway.
2. To consider your suggestion with reference to the appointment of a Royal Commission.

I understand that Your Honor wishes to have the explanations before discussing the appointment of a Royal Commission, and I, therefore, purpose in this letter to confine myself to giving such explanations and afterwards, if you desire it, consider the second question.

I had called together the Council of Ministers on Wednesday, Sept. the 2nd instant, immediately after the vacation, in order to get the necessary explanations with refer-

rence to this matter of the Baie des Chaleurs Railway, which occurred during my absence, and my colleagues and myself had on that occasion decided to advise you to convene the Legislature within as short a delay as possible. The receipt of your confidential letter of the Sept. 1, instant, induced me to suspend all further steps until I had received the document which you mentioned in it.

The information received from my colleagues, and the facts stated in Your Honor's letter and before the Senate Investigation Committee, place me in a position, I think, to fully understand the whole of the transaction.

Of course, in speaking of the investigation by the Senate, I do so without admitting either the jurisdiction of that body in such matters or the justice of its proceedings; for me it is a matter of public notoriety and nothing more. This is how I consider I should summarize the transaction.

The Railway Subsidies Act passed last session (54 Victoria chapter 88) contains the following section:

J. To aid in compelling and equipping the Baie des Chaleurs Railway, throughout its whole length, for the part not commenced, and that not finished, about 80 miles, going to or near Gaspé Basin, a subsidy of 30.0 acres of land per mile, not to exceed in all \$90,000, payable to any person or persons, company or companies, establishing that they are in a position to carry out the said works and to supply the rolling stock for the whole road and keep it in good working order, and also upon condition that the balance of the privileged debts due by the Baie des Chaleurs Railway Company be paid, the whole to the satisfaction of the Lieutenant-Governor in Council.

Your Honor will please observe that there is no question here of an ordinary grant of so much per mile, payable by sections of 10 miles as the work is done, but of a special subsidy, which is an exception to the general rule, and payable in one payment when the conditions mentioned are fulfilled to the satisfaction of the Lieutenant-Governor in Council.

This remark is sufficient for the present and we will see, further on, whether the payment was made according to the spirit and letter of the Statute.

Messrs. Robitaille, Riopel and others, shareholders and directors of the Baie des Chaleurs Railway Company, finding themselves unable to continue and finish the work of construction, notwithstanding the large amounts they had already received, made over their rights to certain persons who succeeded them, both as shareholders and as directors of the company. These persons are Messrs. James Cooper, Alexander Ewing, James Williamson and Angus M. Thom, of Montreal, and J. P. Dawes, of Iachine, who are known in the business world as wealthy capitalists who are perfectly able to successfully carry out the undertaking in question.

Having settled with Mr. Robitaille and the others, the new shareholders handed over to the Government of the Province, after lengthy negotiations, the document bearing date April 17, 1891, which is reproduced at length in the order-in-council No. 237, of April 23, 1891, hereinafter cited and by which these conditions were accepted with some slight changes. The following is the text thereof:

Copy of a report of a committee of the Honorable the Executive Council, dated April 21, 1891, approved by the Lieutenant-Governor on April 23, 1891.

No. 237.

Concerning the Baie des Chaleurs Railway.

The Honorable the Commissioner of Public Works, in a report dated April 20th inst., 1891, sets forth that he has received a letter from Mr. Angus M. Thom, of date April 17th inst., reading as follows:

QUEBEC, April 17, 1891.

TO HONORABLE P. GARNEAU,

Commissioner of Public Works and Premier ad interim:

SIR,—We are in a position to secure the transfer of the charter of the Baie des Chaleurs Railway if the following proposition is accepted by the Government; the company, under the management of a new board of directors, will be prepared to go on with the works, complete the road and have it ready for traffic on or before the 31 December, 1892, from Malapédia to Paspébec, and then to Gaspé Basin as soon as circumstances will permit. For the carrying out of the present proposition it is understood that the Government shall pay the company:

1. The balance of the subsidy granted by the Statutes of Quebec 45 Vic. chap. 23, and its amendments, and 51-52 Vic. chap. 91, sec. 12, amounting to \$260,000, to be payable as earned.

2. The subsidy of \$50,000, granted by the statute of last session, 54 Vic. chap. 88, sec. 1, sub-sec. 1, to be payable as soon as a bridge over the Grand Cascapédia is finished and accepted by the Government.

3. To comply with the intention of the law, these subsidies of 300,000 acres of land granted by the statute of last session, 54 Vic. chap. 88, sec. 1, sub-sec. J, shall be converted and the proceeds thereof shall be used by the Government to pay the legitimate and privileged claims, in accordance with the above cited act, now existing against the road or against the company; and if

any surplus should exist after the payment by the Government of all claims now existing against the said road as aforesaid, such surplus, if any, shall go to the new company on final settlement.

The said debts and claims after they shall have been approved and certified by Mr. Thom, representing the company, shall be paid by a person appointed by the Government for that purpose, and failing such approbation and such certificate by Mr. Thom, they shall be paid on a judgment or arbitrator's report in favor of any claimant. When the commissioner appointed by the Government shall accept a claim and Mr. Thom refuses his certificate and approbation, then in each case the claimant has an absolute right to an arbitration, and the decision of the arbitrators shall then state that the costs incurred shall be paid by the party against whom the decision is given. If Mr. Thom fail to appoint an arbitrator after 15 days' notice so to do, the commissioner may then pay the claim, and his action shall be binding on all parties.

As a guarantee that they will go on with the works, build, complete and run the road, the company will deposit with the Government bonds of the actual emission to the amount of five hundred thousand dollars (\$500,000), which shall be exchanged for an equal amount of bonds of another issue of same amount and value in case the company would deem proper to cancel the present issue and replace it with others or other satisfactory security in lieu thereof, it being distinctly understood that the company will be handed back the bonds or other security so deposited on the completion and sufficient equipment of the road to Paspebiac.

The board of directors of the company under the new organization shall be composed as follows:—James Cooper, of Montreal; J. P. Dawes, of Lachine; Alexander Ewing, of Montreal; James Williamson, of Montreal; Angus M. Thom, of Montreal, and two other persons to be named by the Government.

On the sixty miles of the said road comprised between Metapedia and the big river Cascapedia, the company will resume the works as soon as they can take possession of that section, and on the forty miles ending at Paspebiac, surveys will be commenced as soon as the present proposition is accepted, and the works will proceed with the utmost diligence. The whole respectfully submitted.

Signed

A. M. THOM.

And upon the said A. M. Thom, and the persons in the name of whom he acts and whom he represents obtaining a transfer of the charter of the Baie des Chaleurs Railway, and seeing that the persons mentioned in the propositions above cited have the necessary means to carry out the enterprise, as required by the statute of last session, 54 Vic. chap. 88, section 1, sub-section J, and seeing that it is in the interest of the Province to accept it, the Honorable Commissioner of Public Works recommends that the said proposition be accepted as follows, that is to say:—

1. To re-organize the Baie des Chaleurs Railway Company.
2. To construct and put in operation on or before December 31, 1892, the one hundred miles of the said railway comprised between Metapedia and Paspebiac and the remainder as far as Gaspé Basin as soon as circumstances will permit.
3. To continue the works on the 60 miles comprised between Metapedia and the river Grand Cascapedia, as soon as the company shall be able to take possession of this part of the road, that is to say as soon as the claims which are not contested shall have been paid, which shall be done at the diligence of the Government between now and May 10 next at the latest, but without recourse against the Government in default of such diligence. To commence the explorations upon the 40 miles between the river Grand Cascapedia and Paspebiac as soon as the proposition shall be accepted, and push them on with the utmost dispatch.
4. That the first board of directors of the said company shall be composed of the following persons: James Cooper, of Montreal; J. P. Dawes, of Lachine; Alexander Ewing, of Montreal; Angus M. Thom, of Montreal; James Williamson, of Montreal, and of two persons named by the Government.
5. To deposit as a guarantee in the hands of the Government \$500,000 of debentures or bonds of the company of the present issue, or any other satisfactory guarantee with the privilege of exchanging the said debentures or bonds for an equal amount of debentures or bonds of any other issue, not to exceed, however, the actual issue and of the same value, in case it shall be judged expedient to withdraw the present issue, which debentures or bonds or other guarantees shall be returned by the Government to the company as soon as the road shall have been finished to Paspebiac.

On condition:

1. That the balance, to wit, \$260,000, of the subsidies granted to the said railway by 45 Vic. chap. 23 and its amendments, and 51-52 Vic. chap. 91, sec. 12, shall be paid to the company in proportion as the same shall have been earned according to law.
2. That the subsidy (\$50,000) fifty thousand dollars, granted by the statute 54 Vic. chap. 88, sec. 1, sub-section I, shall be paid to the company as soon as the bridge over the river Grand Cascapedia shall have been constructed and accepted by the Lieutenant-Governor in council, upon a report of the Government engineer.

3. That the Government binds itself to pay the company the subsidy of 800,000 acres of land granted by the statute 54 Vic., chap. 88, section 1, sub-section J, converted into money, which subsidy shall be kept by the Government and employed by it to pay the actual debts of the Baie des Chaleurs Railway; and the surplus, if any, shall be, after the payment of all claims actually existing against the company, kept by the Government, which shall render an account thereof to the company in final settlement.

That the said debts and claims, after they shall have been approved of and certified by Mr. A. M. Thom, representing the company, shall be paid by a person named for that purpose by the Government, and, in default of such approbation and such certificates, they shall be paid upon a judgment or report of arbitrators in favor of any claimant. In the case of the commissioner named by the Government accepting a claim and of the said Mr. Thom refusing his certificate, then and in each case the claimant shall have an absolute right to an arbitration, and the award of the arbitrators shall then declare that the costs shall be at the charge of the party who shall fail; and in default of the said Thom to name an arbitrator after 15 days' notice so to do, the commissioner may pay the claim for all purposes whatever of law, and his action shall bind all the parties.

"Certified.
"(Signed) GUSTAVE GRENIER,
"Clerk of the Executive Council."

Your Honor will please observe that by this order-in-council you declared that you were satisfied that the persons in question possessed the necessary means for successfully carrying out the undertaking as required by the statute, that it was in the interest of the province to accept their propositions; that this order-in-council says that the work on the 60 miles between Metapedia and Grand River Cascapedia shall be continued as soon as the company, as re-organized, shall have taken possession of that part of the road, that is to say as soon as the claims not contested shall have been paid at the diligence of the Government between that date and the 10th of May at the latest.

Your Honor will also please observe that the order-in-council accepts as sufficient guarantee for the performance of the work the deposit in the hands of the Government of \$500,000 of bonds or debentures of the company.

Finally, Your Honor will please remark the distinction made in the order-in-council between the payment of the \$260,000 of subsidies granted by the Acts 45 Vic., cap. 23, and 51-52 Vic., cap. 91, as well as the \$50,000 (fifty thousand dollars) granted for the construction of the bridge over Grand River Cascapedia by the Act 54 Vic., cap. 88 (which subsidies are to be paid only as they are earned by the carrying out of the works), and the subsidy of 800,000 acres of land which is to be employed in paying the debts of the railway company, the Government having to account to the company at the final settlement for the surplus of the latter subsidy remaining after payment.

The difference between the first two subsidies and that of the 800,000 acres of land is perfectly evident; in the first two cases the subsidy is due only when it is earned, while that of the 800,000 acres has to be paid at once.

Permit me to lay special stress upon this point, which is of capital importance, for it is by thoroughly understanding it that we will be able to avoid misunderstandings calculated to give rise to regrettable confusion.

The order-in-council not only permits the immediate payment of the subsidy of 800,000 acres of land to the amount of the debts, but compels the Government to account to the company for the balance, if any, not when the work has been carefully performed, but when the debts are paid.

I need not point out the difference which exists between the statute and the order-in-council, for Your Honor no doubt observed it at the time. The statute speaks of the privileged debts and the order-in-council mentions the "actual debts" of the company, without any distinction between those that are privileged and those that are not.

It is quite evident that those who drafted the order-in-council were of opinion, like Your Honor who approved it, that the statute was not limitative, and that, while exacting security for the payment of the privileged debts the statute, also allowed the executive in the settlement which it might make, to impose the condition that the non-privileged debts should be paid.

The persons with whom the Government dealt could have refused this new condition, but as it was in the interest of the Province, the Government did right in imposing it, and, from the moment those persons accepted it, the condition became executory.

Moreover it must not be forgotten that the statute does not speak of the Baie des Chaleurs Railway Company which remained, and still remains, liable for the payment of all its debts, whether privileged or not. It speaks of "all persons" or "companies" with whom the Government might deal.

The transaction effected by the Government was not with persons forming a new company, but really with the original company reorganized, composed of new shareholders, but legally bound to the payment of its debts.

The order-in-council now in question orders that the payment of such debts out of the subsidy of 800,000 acres of land converted into money at the rate of 35 cents per acre, be made by a special commissioner to be appointed, and on the same day, April 23, 1891, Your Honor signed the appointment of Mr. J. Chrysostome Langelier for that purpose; that is to say "to pay," as the second order-in-council mentions "the claims against the Baie des Chaleurs Railway Company in conformity with the provisions of the order-in-council No. 237 of April 23, 1891."

The first order-in-council says: "That the said debts and claims, after they shall have been approved of and certified by Mr. A. M. Thom, representing the company, shall be paid by a person named for that purpose by the Government, and, in default of such approbation and such certificates, they shall be paid upon a judgment or report of arbitrators in favor of any claimant. In the case of the commissioner named by the Government accepting a claim, and of the said Mr. Thom refusing his certificate, then and in each case the claimant shall have an absolute right to an arbitration, and the award of the arbitrators shall then declare that the costs shall be at the charge of the party who shall fail; and in default of the said Thom to name an arbitrator after fifteen days' notice so to do, the commissioner may pay the claim for all purposes whatever of law, and his action shall bind all the parties."

Thus, in virtue of these two orders in council, Mr. J. C. Langelier became the trustee of both the parties interested; as such he received the money from the Government to pay the debts on the approbation of Mr. Thom, who gives such approbation in the name of the company after examining the account, and on the refusal of Mr. Thom to give such approbation or to appoint an arbitrator within a specified delay, Mr. Langelier pays on his own authority and his action binds all parties.

Let us observe that Mr. Langelier has not the right to refuse to pay a claim approved and certified by Mr. Thom to the amount, of course, of the appropriation voted, for the first order-in-council says that the debts shall be paid by a Commissioner appointed for the purpose from the moment they are approved by Mr. Thom.

All that has been said above may be summed up as follows: The Legislature votes a special appropriation and the Executive disposes of such appropriation within the limits of the statute. In the first place there is the Legislative authorization to take the money from the public funds, then that of the Lieutenant-Governor-in-council to effect the payment of it. Everything is complete, all that remains to be done is to carry it out and place the necessary moneys in the hands of the Commissioner.

The moneys are placed in the hands of the Commissioner who pays, as he is bound to do, all the claims approved by Mr. Thom, and, if I am well informed, all the privileged debts approved by the company, represented by Mr. Thom, which it has been possible to find out, such as workmen's wages, provisions, etc., have been paid.

Amongst the claims then existing against the company was that of Mr. C. N. Armstrong, the contractor of the road, which claim was established by the certificate of the company's engineer, Mr. Light, to be \$298,943.62 and accepted at that amount.

After negotiations between Messrs. Thom and Armstrong the latter agreed to reduce his claim of \$298,943.62 to \$175,000 in final settlement. Mr. Thom certifies this amount and the commissioner, Mr. Langelier, pays it as he was obliged to do under the order-in-council. Mr. Thom's consent to such payment is given in the following letter:

QUEBEC, April 24, 1891.

J. C. LANGELIER, Esq., Quebec.

DEAR SIR.—In answer to yours of 23rd instant, transmitting for my approval the account of C. N. Armstrong, Esq., against the Baie des Chaleurs Railway Co., to the amount of \$293,943.82, I beg to state that I refuse to approve and certify that account for more than one hundred and seventy-five thousand dollars (\$175,000) and this on the express condition that Mr. Armstrong shall cancel and annul his contract with company and shall give full and absolute discharge of any claims whatever against the road or anything appertaining to it, directly or indirectly.

Yours, very truly,
[Signed] A. M. THOM.

What was Mr. Langelier to do under the circumstances in virtue of the two orders-in-council above mentioned? He found himself confronted by a claim of Mr. C. N. Armstrong, not against the Government, but against the Baie des Chaleurs Railway Company, a claim admitted by the latter in full, approved to the amount of \$175,000 by Mr. Thom, acting for the reorganized company. He had no alternative but to pay. This he did on receiving the following receipt:

I, Charles N. Armstrong, contractor for the construction of the Baie des Chaleurs Railway, do hereby grant a full and complete discharge and quitances to the Baie des Chaleurs Railway Company of all and every claim of whatsoever nature and kind which I have or may have against the said company and I further agree to cancel and annul and I do hereby cancel and annul the contract and agreement entered into with the said company on the ninth day of June, 1886, for the construction of said railway.

I hereby authorize the said company to take possession of the works on the said railway, and all materials provided for the construction of the line, together with all the rolling stock placed on the line in furtherance of the provisions of said contract, June 9, 1886.

And I further transfer, assign and make over to the said company all and every claim which I have or may have against Henry Macfarlane, or the insolvent estate of Henry Macfarlane and Son, and the said company is hereby authorized to use my name in enforcing or collecting such claim.

Signed at Quebec, this 23rd day of April, 1891.

(Signed), C. N. ARMSTRONG.

Such, Your Honor, is the whole of this matter of the Baie des Chaleurs Railway in so far as the Government is concerned. It is fully established by all that precedes that everything that has been done is legal, in conformity with the statute and the orders-in-council approved by you.

You were good enough to recommend Mr. Garneau (page 6 of your letter) to see that everything was done according to law and on the report of the Attorney General, and you add that Mr. Garneau told you that he would communicate with Mr. Robidoux who was ill at the time; that on April 23 Mr. Garneau informed you that the Attorney General had reported to him that everything was according to law. Mr. Garneau, therefore, under your direction, took all the necessary precautions as to the legal side of the question.

I may add without fear of contradiction that the action of the Government, in this matter, is perfectly honorable and in the public interest.

Public interest required that this road be built within the shortest possible delay; both the Federal and the Provincial Governments had admitted this by having considerable subsidies voted, which unfortunately have been expended without any very apparent results for the undertaking.

Whenever this question was discussed before the Legislative Assembly of Quebec, the members were unanimous in voting new appropriations, and in stating that the Province should make great sacrifices to assure the construction of the road, and the citations which Your Honor has been good enough to make in your letter of the words which I pronounced on the subject on various occasions, showed that I was but the interpreter of the wishes of all the members in recommending that further sacrifices be made for that object. This road runs through the whole of Gaspesia, an immense tract of country with a rich soil, splendid forests which are the property of the Province, and peopled by an intelligent and laborious population. Every one has long been convinced that this road, starting from the Intercolonial at Metapedia and running as far as ocean navigation, would offer inappreciable commercial advantages not only to Gaspesia but also to the whole of Canada, while giving an immense additional value to the Crown Lands and developing colonization. Its rivers and its lakes teeming with fish attract a host of wealthy people who pass the summer there and spend a considerable amount of money.

The construction of this railway which was so ardently desired had been arrested for two years by the impotency of the company and its notorious state of insolvency.

And as its shareholders and directors refused to give up their charters to persons who were able to finish the work, the Government thought proper last session to get itself authorized to cancel the charter of this company, amongst others, if it were necessary.

I am convinced that if this power had not been given to the Executive by the Legislature of the Province, the old shareholders and directors would never have consented to make over their rights to Mr. Cooper and the others, and that they would have remained as permanent and insurmountable obstacles to the construction of the railway which was admitted to be in the public interest, and for which the Parliament of Canada and the Legislature of Quebec had already made such great sacrifices.

Fearing that their charter would be cancelled together with all the inevitable and legitimate consequences thereof, Mr. Robitaille and the others preferred to sell their rights to Messrs. Cooper et al., who took their places both as shareholders and as directors of the company. It is with the latter that the Government has had dealings; it is by them that the work is actually being done, and it is thanks to them and to the action of your Government, that the construction of that railway is now assured.

Your Honor has but to glance at the annexed message from the company's engineer to see with what vigor and rapidity the work is being pushed on since Messrs. Cooper & Co. have been able to set to work, and this, notwithstanding the legal difficulties raised by Macfarlane, the sub-contractor, who has delayed them for several weeks, and also in spite of the proceedings of the Senate which have had the effect of causing a loss of valuable time for the chief parties interested, and of greatly hampering the progress of the undertaking.

I am further personally informed that the company employs 450 men in addition to its staff of engineers.

By the purchase of powerful lamps it has placed itself in a position to push on the work day and night. It has repaired the first 60 miles of the road and put them in running order.

The section extending from the 60th to the 80th mile is under construction, the work is far advanced and will certainly be finished this year unless there is exceptional weather which it is impossible to foresee. The rails for that section have arrived at Point Lévis and are being shipped to the line.

Contracts have been made with the Dominion Bridge Company for all the metal bridges on the 20 miles and they are being prepared.

Temporary bridges have been built everywhere, even on the Grand Cascadepédia, until the metal bridges can be put up. The stone piers of the latter bridge are well advanced.

The company has deposited \$200,000 in the bank to pay the men and for the materials it may require, and it will carry out its contract in full.

This information is confirmed by a letter of Rev. Mr. Gagné, cure of Maria, which reads as follows:

QUEBEC, Sept. 9, 1891.

HONORABLE HONORE MERCIER, Prime Minister.

SIR: I went to-day to your office to speak to you but I was unable to see you as you were at the council. I have very good news to give you from our county. The crops are splendid. We have not had such good ones for many years. When I left Maria on Aug. 24, I was told that the work on the railway was being actively pushed on; that 400 or 500 men were at work. I saw the contractor, Mr. Hogan, who told me that the locomotive would run, this fall, to the end of the 20 miles under construction. I also heard that the laborers were paid regularly. I heard no complaints.

I have the honor, etc.,

(Signed) J. GAGNE,
Priest.

As regards the probity of the transaction, in so far as the Government and the the company are concerned, it is beyond question.

You have before you, to convince you of it, all the facts set forth in the records to which you refer, and you have, especially, the evidence of Messrs. Cooper, Thom and Lonergan, who formally declare that everything was strictly done on a business basis only, and that there was no intermediary between the Government and the company.

Mr. Armstrong even declares that the Government effected the best possible transaction under the circumstances.

Mr. Cooper, the president of the company, says at page 195 of the Senate report on the investigation:

By the Hon. Mr. Langelier.—“ During the negotiations which took place between “ your syndicate and the Government of the Province of Quebec, was it insinuated, or

"intimated, or hinted to you, directly or indirectly, that you should have Mr. Pacaud to approach the Government of Quebec? A. No.

"Q. Of what nature have been your negotiations or transactions with the Quebec Government in connection with this agreement? Was there any hoodling, was there anything improper in these negotiations? A. I have no knowledge of it.

"Q. The whole thing then was conducted in a business-like manner, as between business men and business men? A. It was. The understanding I had was that the road was to be delivered to the new syndicate free of debt or litigation, and that the new syndicate, which through my influence was organized, was to take up the road and build it. I had two objects; one was to secure a debt I was afraid I was going to lose, which amounted personally and through my connection with the firm of Cooper, Fairman & Co., to \$22,000. I saw it was going to be lost by litigation and wrecking, that the road had been left in a shape for a year and a half which was very bad, and the rolling stock which I had furnished to the road was lying exposed to all weathers, summer and winter, and I had paid my money for that stock, and never got a penny for it. I felt that litigation was going to ruin the whole chance of getting anything out of that debt. I urged to the best of my endeavors Mr. John J. McDonald to take it up. He was a friend of mine, and I begged and beseeched him to organize a syndicate, and I got fairly disheartened when he told me he was going to England and would abandon the whole project. I said: If you go to England and leave the road in the shape it is I shall endeavor to reorganize a syndicate to take it over. I would never have taken that step except on these conditions if you had given me the road for a present. I would not be identified with all this scandal and disgrace, such as appears in the papers.

By Hon. Mr. Miller:

"Q. What do you mean? Do you mean the Pacaud scandal? A. I mean that all this scandal is detrimental to my success in carrying the work through. The road is going to be short.

Mr. Thom, secretary and director of the company, says at page 180—(By Hon. Mr. Langelier):

"Q. At these several interviews which you had with the Government, was Mr. Pacaud's name or anybody else's name mentioned or hinted at by any member of the Government? A. I do not quite understand your question.

"Q. Was any name mentioned as being the name of a party to whom you should speak, or whom you should approach? A. Never.

"Q. Your interviews, if I understand you rightly, were simply business interviews and solely with the Government, such as might take place between business men. A. Certainly.

"Q. Business men who want to do an honest transaction? A. I think so.

"Q. When you settled with Mr. Armstrong, did Mr. Pacaud see you about the settlement? A. No Sir.

"Q. Mr. Pacaud never saw you; you were not asked by Mr. Pacaud to settle with Mr. Armstrong? A. No; during all the negotiations I do not think I saw him more than twice, once in New York and once in Quebec.

"Q. Did he make any propositions as to his getting something? A. Not any.

"Q. He never spoke to you of that? A. I spoke to Mr. Pacaud at various times after the business was concluded with the Government. During the progress with the negotiations I never had any interview with Mr. Pacaud.

This is what is stated by Mr. Lonergan, page 222:—(By Hon. Mr. Langelier.)

"Q. You must have been aware of all the negotiations, which have been going on with the syndicate which took up the company and the Quebec Government? A. My clients informed me so far as they might have thought it necessary to the advice I might give them.

"Q. Did it come to your knowledge that any improper transaction or proceedings were going on, or were to take place, between the Government of Quebec or any of its members and the syndicate? A. Any knowledge of that kind which I have is derived from the proceedings of this committee.

"Q. You never heard of anything improper before? A. No.

Finally, Mr. Armstrong says, page 221,: (By Hon. Mr. Langelier.)

"Q. Am I to understand that your claim of \$298,000 was a genuine claim or a bogus claim? A. It was a perfectly genuine claim, and, in fact, there were some items that I did not get into it.....

" Q. So that your claim was not a put up job, but a legitimate claim against the company? A. Yes, and approved by every official of the company, and cannot be denied by anybody.

" Q. Had the Government anything to do with the settlement of the claim? A. Nothing, whatever, except the payment of the amount.

" Q. What you had to pay to Mr. Pacaud was not for settling a claim against the Government? A. I had no claim against the Government at all.

" Q. What you did pay to Mr. Pacaud must have been paid to settle your claim with the new syndicate? A. It was my claim against the company. The new syndicate did not exist.....

" Q. Do you think the Government paid too much to the company for doing the work they have undertaken? A. No, I think it was a perfectly good business arrangement.

" Q. Did any member of the Government, directly or indirectly, tell you or intimate to you, or hint to you that you should apply to Mr. Pacaud to get a settlement of your claim? A. I never had a word to say to any member of the Government.

" Q. You never saw any member of the Government with regard to the settlement of your claim? A. Never.

" Q. The settlement took place entirely between you and the members of the company as reorganized? A. With Mr. Thom; he was the party who acted for the "syndicate."

It results from the above that the negotiations between the Government and the company have been conducted in the most regular and honorable manner possible, on a business basis only, and that nothing has occurred which can, either directly or indirectly, give rise to suspicions as to the perfectly honorable character of the transaction as regards the Government and the company.

Moreover it is quite evident that without the Pacaud-Armstrong incident, no one would have dreamed of making the slightest insinuation against the transaction.

This Pacaud-Armstrong incident is very regrettable, and it is my duty to condemn in the severest terms the extraordinary bargain made between these two parties, and if my colleagues or myself had had any knowledge of it, all negotiations would have ceased. And it is doubtless because they were convinced of this that those gentlemen so carefully concealed their transaction and kept it entirely secret when it would have been so easy for Mr. Armstrong to inform the ministers or some of them of the exaction of which he was the victim.

Your Honor sums up the evidence given before the Senate Committee with reference to the use made of a portion of the \$100,000 by Mr. Pacaud, and seems to think that the notes paid by Mr. Pacaud were those made by him, and endorsed by the Honorable Messrs. C. A. P. Pelletier, Francois Langelier, Charles Langelier and myself.

In this connection, it is important that Your Honor should not lose sight of the fact that although the above mentioned persons were jointly and severally responsible for the payment of the notes, as endorsers, Mr. Pacaud was the sole promissor; that the proceeds of these notes were not intended for personal purposes nor for purposes connected with the politics of the Province of Quebec; but that, with the exception of one or two of the notes, were to be used in making the necessary deposits for contestations of Federal elections, for counter-petitions and disbursements which might become necessary after the Dominion general elections of March, 1891. As regards the proceeds of one or two of those notes which I have just excepted, they were disbursed to pay some expenses incurred during the said Federal elections, for the benefit of one of the political parties to which the persons whose names were on the notes belonged.

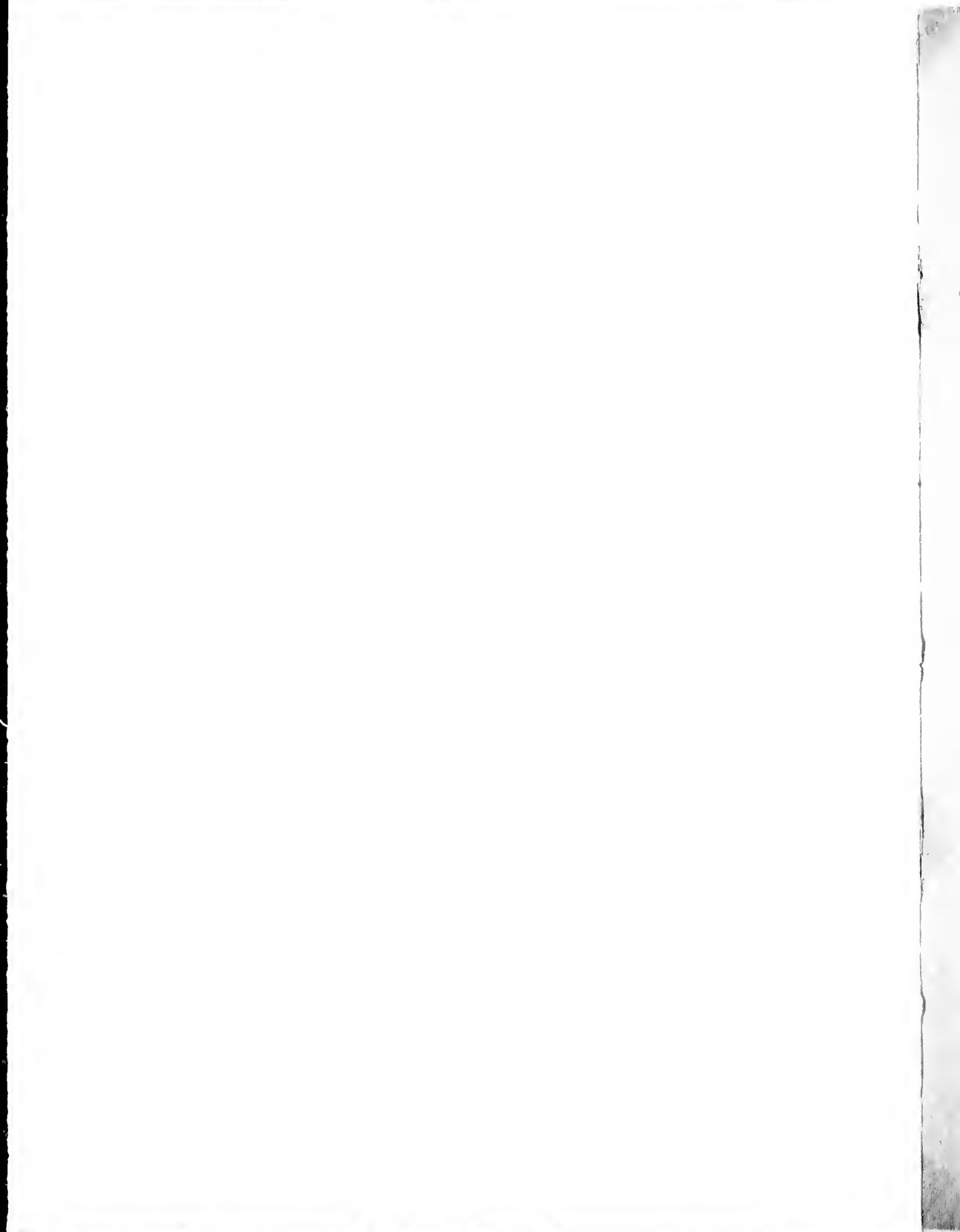
I had endorsed these various notes in blank when I started for Europe in the early part of last March, and had handed them to Senator Pelletier for the purposes above mentioned.

This is clearly shown by the evidence of Mr. Pelletier before the Senate Committee, pages 150, 151 and 152.

" By the Hon. Mr. McInnis—Had they anything to do with the Baie des Chaleurs Railway?

" A. Not in the least, I am willing to answer, however. I thought Mr. Barwick said this morning that the proceeds of these notes were used to pay the debts of Mr. Mercier, Mr. Langelier and myself.

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" Mr. Barwick—No; I said the proceeds of the letter of credit were used to pay Mr. Mercier's debts and your personal obligations, being the obligations on that note.

" Hon. Mr. Pelletier—The proceeds were not used to pay my personal debts. To show you that they had nothing to do with the elections, I will say that after the elections were over, it was expected that a good many elections would be contested and a good many counter contestations, and, of course, nearly all our friends, whether elected or defeated, were interested, but had not the means to file the deposits in the court or in the Treasury Department, as the law requires, of \$1000 in each case. As in many other cases, I endeavored to help my friends. It was a private matter, and Mr. Mercier, before leaving for Europe, expecting this would be required, left in my hands three, or I would not be sure that it was four notes, endorsed in blank, in case we would require money to help our friends make these deposits. I kept these notes until they were required, and these amounts were raised for a good many petitions and counter contestations. In the absence of Mr. Mercier we filled up these notes, endorsed them, and I never saw anything of them afterwards. They were placed in the banks and used for making these petitions and counter contestations in the courts.

" By Hon. Mr. Miller—Q. In whose hands did this money go?

" A. I never saw a dollar of it.

" Q. Then, how do you know how it was used?

" A. My friends said they got it for this purpose, as far as I am able to say.

" Q. You believe it was used for that purpose?

" A. I not only believe, I am positive.

" By Hon. Mr. Kaulbach—Q. How were they paid?

" A. It was not expected they would have to be paid. We expected they would be renewed until the contestations were over.

" By the Hon. Mr. McCallum—Q. I think you said Mr. Mercier left these notes in blank; what are we to understand by that? A. I say he endorsed the notes in blank; the amount was not put on.

" Q. Mr. Pacaud's name was not on it, then? A. No. I had the blank endorsements; he left me the blanks endorsed and we filled up the notes afterwards. He simply left the blank paper with the endorsement on it.

" By the Hon. Mr. Boulton.—Q. You say the amount was left blank? A. I say it was a blank paper on which Mr. Mercier had put his name as endorser in case we would want it."

At page 23 of your letter, Your Honor says:

"On the same day (May 15) Mr. Pacaud bought by a cheque drawn against the same account, a bill of exchange on Paris, in favor of Hon. Mr. Mercier to the amount of \$5,000.00, which yielded 25,500 francs."

The evidence of Mr. Lafrance, the cashier of La Banque Nationale at Quebec (page 77-78), established that these \$5,000.00 were taken out of the proceeds of a note of Mr. Pacaud's, endorsed by Mr. Valliere and secured by one of the cheques which Your Honor mention.

On the other hand, I am informed that this amount was raised by means of one of the blank forms signed by me which I had left with Senator Pelletier before my departure for Europe. I have not had an opportunity of ascertaining which of these two versions is the correct one.

But in any case I affirm that being in Europe and finding that I wanted that amount I asked for it, being convinced that it could be raised on one of the signed blank forms which I had left, and of course with the intention of paying myself the commercial paper employed to procure that amount for me, as it was for personal expenses.

I further affirm that when I asked for that sum, I was ignorant and I remained ignorant long after of the fact that that transaction of the Baie des Chaleurs Railway had been effected, and that I only heard some time after my return to Canada from the report of the proceedings of the Senate published in the newspapers, that Mr. Pacaud had obtained a sum of \$100,000 or any other sum.

At page 15 of your letter Your Honor mentions a conversation which you had between April 23 and 26 last with Mr. Garneau, the acting Premier, in which he told you "that strong pressure was being brought to bear upon him; that he was required to do things which were repugnant to him; that threats were made to him of cabling to the Hon. Mr. Mercier, and he added that he was inclined to resign."

I asked Mr. Garneau, my colleague, for explanations on this point and he tells me that he thinks Your Honor gives his words pretty exactly, but that without explanation they might give rise to a different impression than that which he wished to convey. Mr. Garneau calls my attention to the fact that he was then acting Premier, acting Treasurer and Commissioner of Public Works; that consequently he had a three-fold responsibility, which fatigued him all the more that he was then ill, and that on the whole he disliked to effect the transaction notwithstanding the strong pressure brought on him to finish it until he had obtained satisfactory security and the opinion of the Attorney-General, which moreover my colleague exacted as well as himself; but that as soon as he had obtained the deposit of debentures to the amount of \$500,000 bearing first mortgage on the whole road, he felt more at his ease, and thought the transaction could be effected without danger. Mr. Garneau even adds that he informed Your Honor of this at a subsequent interview.

Mr. Garneau especially desires it to be known that in saying that strong pressure was being brought to bear on him he did not wish it to be understood that it was unlawful or undue pressure; but that having been engaged in negotiations for several days with the new syndicate without coming to any conclusion, he was at every moment threatened by Mr. Thom, who represented the syndicate, that the negotiations would be broken off and the matter entirely abandoned, all the more so that his colleagues in the ministry, who were convinced that the transaction was an advantageous one for Province, told him that it would not be wise to lose such an excellent opportunity of assuring the construction of the road within a short delay.

Moreover, this very frank communication made to you by the acting Premier is, it seems to be, the very best proof of the good faith and honesty with which he conducted and wished to complete all this transaction. Your Honor states so yourself in your letter that Mr. Garneau kept you posted as to everything he did almost daily, and seems to have consulted you whenever he was embarrassed. So much so that you deemed proper to re-assure him yourself, and to contribute towards doing away with his hesitations.

Your Honor, (at page 6 of your letter), gives the text of a despatch of the Attorney General, Mr. Robidoux, dated April 17, 1891, worded as follows:

HONORABLE PIERRE GARNEAU,

Commissioner of Public Works, Quebec.

I fear to be detained here by illness longer than I thought. You may proceed to business in my absence. I ratify in advance all you will do in the matter of the Baie des Chaleurs railway. Langelier will tell you exactly what was decided upon before the departure of Mr. Mercier. I am informed that any delay in this matter may be prejudicial to the interests of the enterprise and of the Province.

(Signed),

J. E. ROBIDOUX.

Although I cannot see the bearing of this citation, I, nevertheless, in my anxiety to give you every possible explanation, thought proper to ask Mr. Robidoux under what circumstances this despatch was sent, and his answer was that he was confined to his house by serious illness. During that illness, Hon. Mr. Garneau went on two different occasions to see him and consult with him on the principal matters then before the Cabinet. After conversing about the Baie des Chaleurs matter with Mr. Garneau and discussing all the points, Mr. Robidoux led Mr. Garneau to hope that he would be well enough to be present at the meeting of the Cabinet, which was to be held on the date of this telegram, April 17. On that day, Mr. Robidoux's health did not allow him to travel from Montreal to Quebec, so he sent the above telegram to Mr. Garneau. This telegram was the expression of the opinion of Mr. Robidoux, who, from the information he had derived either from me or others of his colleagues, thought it was important that the matter be concluded at once to allow the reorganized company to commence work in the spring.

Before reaching the conclusions of your letter, which I cited at the beginning of this one, Your Honor makes the following remark:

"There would see a to exist between the Government and the creditors of the Province, a barrier at which tribute is levied before justice is done to claimants."

I am quite sure that Your Honor has not made this assertion without weighing the whole extent of its bearing and, if you were convinced that such a barrier existed, it would be not only your right but even your duty to assist me in making it known, in having it removed and punishing those who might have set it up and made use of it for personal ends to the detriment of public interest. As for me I need not tell you that I am ignorant of the existence of such a barrier.

At page 26 of your letter Your Honor says :

"It would appear that the Government when paying the \$175,000 to Mr. Armstrong, made a payment to a person to whom it owed nothing and to whom the Baie des Chaleurs Railway Company owed debentures only ; that in view of the evident intent of the Act 54 Vic, chap. 88, paragraph J, and of your declarations made to the House, the Government, even with the consent of the company as reorganized, should not have paid Mr. Armstrong any part of the \$280,000 before the company had been entitled to them by works to be performed, the pretensions of Mr. Armstrong not coming within the category of the debts of which the statute authorized the settlement before the subsidy was earned through work done ; that when it paid Mr. Armstrong the sum of \$175,000 the Government paid it to the person against whom creditors of the class mentioned in the statute were to be protected ; and that, at all events, the sum of \$109,000 which went to Mr. Pacaud has deprived, by so much, a public enterprise of the subsidy granted it by a vote of the Legislature."

I have already shown that Mr. Armstrong's claim had been admitted by the company's engineer, Mr. Light, and approved by the former directors to the amount of \$298,943.62. I have also shown that Mr. Langelier, the Government commissioner, was obliged to pay all the claims made against the company and admitted by Mr. Thom as representing the latter, and that he had consented to the payment of the \$175,000, the reduced amount of Mr. Armstrong's claim, it was Mr. Langelier's duty to pay. It is not necessary that I should revert to these various points.

I wish to consider Your Honor's assertion under another aspect with the hope of getting you to admit the conclusions which I have already drawn in that respect.

The legitimacy of Mr. Armstrong's claim is established by the evidence of Mr. Light [page 105], and also by that of Mr. Armstrong [p 217] and of Mr. Thom [p 193 and 194.]

Let us first cite Mr. Light's evidence, the engineer of the Government and of the company. This is what he says (page 100)

"By Mr. Barwick : Q. I place in your hand Exhibit 5, which is a statement of account between the Baie des Chaleurs Railway Company and Mr. Armstrong with a certificate of balance coming to Mr. Armstrong in accordance with the terms of his contract. At the top of the exhibit are a series of figures apparently based upon certificates of A. L. Light ; that is yourself ? A. Yes.

"Q. And this document originally concluded, you will see, by certifying that \$298,943.62 was due to Mr. Armstrong in accordance with the terms of the contract with the company. You notice the word "due" is struck out ? A. Yes.

"Q. You heard the explanation that that word was struck out by Mr. Riopel and that he wrote instead those words "Is a correct statement of estimate of work done and remaining unpaid ?" A. Yes."

It is not necessary to cite Mr. Thom's evidence, since, after examining Mr. Armstrong's claim, he admits it, but does not consent to pay it, unless it is reduced to 175,000, as the whole has been shown above. But while admitting the legitimacy of Mr. Armstrong's claim in principle, Your Honor says that it is not exigible because it was payable only, when the work was completed, in debentures.

If I properly understand Your Honor's proposition it reduces itself to this : The Government paid the \$175,000 to Mr. Armstrong to whom it owed nothing and to whom the company owed only debentures after the execution of the work mentioned in his contract ; that no portion of the \$280,000 representing the new subsidy of 800,000 acres of land should consequently have been employed in paying that claim, which was not one of those to be paid out of that appropriation, and finally that the \$100,000 paid to Mr. Pacaud have deprived a public undertaking of so much of its subsidy.

Allow me to observe, in the first place, that the Government did not pay anything to Armstrong, had nothing to do with him, was never called upon to acknowledge his claim nor to discuss it, and Armstrong himself never claimed anything from the Government. All this is clearly shown by the citations I had the honor of giving above.

I admit that Your Honor is right in saying that Armstrong's claim was not due and consequently not exigible because it was payable in debentures, when the works would be completed. These are the express conditions of the contract between the company and Armstrong. But this contract might have been changed between the contracting parties, providing it was done without defrauding the rights of third parties. Now, Messrs. Cooper, et al, becoming the shareholders and directors of the company and wishing to do the balance of the work themselves or to have it done under their direction, endeavored to settle with Armstrong who had a right when the work was completed to receive in debentures of the company

bearing first mortgage (over and above the work he was to do later on) the sum of \$298,943.62. A settlement was all the more necessary between the company and Armstrong that the latter had possession of the road and would hand it over, only if he were satisfied, and, on the other hand, Messrs. Cooper, et al, could not go on with their work and touch the new subsidy unless they got possession of the road. It was then that the terms of the original contract were changed, that Mr. Armstrong gave up his contract, handed over the road, transferred all his rights to the company and accepted \$175,000 in money in payment of the \$298,943.62 which could have been due him in debentures.

This transaction is a legal one; no one can complain of it and, from the moment it was done, Armstrong was entitled to a payment in money of \$175,000, and Mr. Thom having certified Mr. Armstrong's account for that amount, Mr. Langelier, the Government Commissioner, had nothing to do but to pay, and this is what he did.

Your Honor's assertion that no part of the \$280,000 representing the new subsidy of 800,000 acres of land should consequently have been employed in paying this claim, which was not one of those to be paid out of this appropriation, does not seem to me to be exact in law, if you will allow me to say so with all the respect due to your opinion. In effect, I have shown it above. From the moment that the claim was admitted by the company and that it was certified by Mr. Thom, it became due and exigible and it had, under the terms of the order in council, No. 237 of April 23, 1891, to be paid by Mr. Langelier. It seems to me that I need not insist on this point; what precedes, as well as what has just been said, is sufficient.

Finally, Your Honor says that the sum of \$100,000 which went to Mr. Pacaud have deprived by so much a public enterprise of its subsidy.

This assertion would be perfectly exact if these \$100,000 had not been taken from the amount due by the company to Armstrong, and which the Government were obliged to pay, as has just been shown. But from the moment these \$100,000 are taken from the \$175,000 paid to Mr. Armstrong under the terms of the act and of the order-in-council, it is not exact to say that these \$100,000 deprive a public undertaking of so much of its grant. If Armstrong had kept these \$100,000 himself instead of giving them foolishly to Pacaud the position as regards the enterprise would have been the same.

Allow me before passing to another subject to remind you that there still remain \$310,000 of subsidies to pay to complete this undertaking; \$260,000 granted by the Statute of Quebec, 45 Vic. chap. 23 and its amendments, and 51-52 Vic., chap. 91 and section 12, and the \$50,000 granted by the act 54 Vic., chap. 88, sec. 1, para. I, for the construction of the bridge on the Grand Cascapedia; this sum of \$310,000 is not to be paid until the work is done to the satisfaction of the Lieutenant-Governor in council.

The annexed official statement of Mr. Moreau, an employee of the railway office, shows that out of the subsidy of \$280,000 in question there remains in our hands \$86,039.17, which shall be paid according to statute and the order in council, by money warrants which Your Honor will be asked to sign from time to time.

At page 25 of your letter, Your Honor says :

"I find that the mode of binding the finances of the Province by means of letters of credit, without the sanction of the representative of the Crown, is prejudicial to the public credit. . . ."

I am not prepared to entirely deny this assertion of Your Honor, and I think that the sooner it would be possible to give up this system the better it would be.

But we must not forget that it is rather difficult to call "letters of credit" the documents issued in the case we are now dealing with.

I have them both before me. They are dated April 23, 1891, and signed by Mr. Garneau as acting Premier and Treasurer. One is addressed to the cashier of the Union Bank of Canada, Quebec, and the other to the cashier of La Banque Nationale, Quebec, and authorize those cashiers to advance to Mr. J. Chrysostome Langelier, the commissioner appointed by order in council, No. 238 of April 23, 1891, the respective amounts of \$100,000 and \$75,000, under the authority of the order in council No. 237 of April 23, 1891, which sums shall be paid on or before July 10, 1891, out of the subsidy voted by the Act 54 Vict., ch. 88, section 1, sub-section J, such payment being authorized by the said order-in-council, No. 237, of April 23, 1891.

Let us not discuss the theoretical question whether these are two letters of credit or not; let us be content with asking what is their practical meaning for any business man.

A statutory appropriation is voted for this undertaking of the Baie des Chaleurs Railway. It consists of land, and represents for the first 35 cents \$280,000 in money, which amount is payable on certain conditions to the satisfaction of the Lieutenant-Governor in council. By the order-in-council, No. 23, of April 23, 1891, signed by Your Honor, it is stated that these conditions are fulfilled and the debts of the company certified by Mr. Thom shall be paid out of this amount of \$280,000 by Mr. Langelier, the commissioner appointed for that purpose by the Government.

As I have already stated, if that money had been in the Treasury after Your Honor had signed that order-in-council, No. 237, the treasurer would only have had to ask for the necessary money warrants and they would have been issued. Now, as there was no money in the treasury at that moment, at least to meet this sum of \$280,000, and as it was difficult to get the bankers to come and be told: You may advance the sum, the payment of which is authorized both by law and by the Lieutenant-Governor-in-Council. Mr. Garneau gives these two papers, let them be called what one wills, which had the effect of satisfying the bankers that on the July 10 their advances would be repaid.

These advances, or at least the greater portion, were made, and on July 10 money warrants were issued in the usual manner and according to the treasury laws, by your deputy, Mr. Grenier, for the amount of \$175,000, and the writings were withdrawn.

After these facts, can it be claimed that this payment was effected without the sanction of the representative of the Crown? I do not think so. The representative of the Crown sanctioned the statute granting the appropriation, he sanctioned the order-in-council distributing the appropriation and, by his duly appointed deputy, issued the money warrants required to pay the \$175,000 on July 10, last.

On the same page of your letter, Your Honor, to show the drawbacks of the system, says that, in order to obtain a certain amount upon one of these letters at La Banque du Peuple it was necessary that Hon. Mr. Charles Langelier should promise that a deposit of \$50,000 would be made out of the proceeds of the loan of \$2,000,000 (Dumoulin, witness.)

I admit that Mr. Dumoulin's letter to Mr. Bousquet (page 41) justifies that assertion to a certain extent, but the remainder of his deposition completely overrules it. He says positively (pages 46 and 47) that, he would have discounted the note without such promise and even that the promise was made only after he had decided to give the discount. Let us read the questions and answers at page 47:

"By Mr. Barwick. Q I do not want to ask too many questions; tell us please what took place and what part Mr. Langelier took? A. He did not take a great part. I think; he made me a promise of the deposit of \$50,000. I asked him for that.

"Q. If you put this transaction through? No; I decided to advance the money, but I told him we were short of money, and as they were going to receive a large amount because they were making a loan, I would expect to have a deposit made in my branch of at least \$50,000, and upon that he gave me the promise to make such deposit. That decided me altogether to make the advance, but I believe it was not my principal reason; I would have made the loan on account of Mr. Vallière being one of our customers.

"Q. When Mr. Langelier gave you the promise, on your asking him, that the Government would deposit \$50,000, you decided to let the loan go through? A. That was one of the reasons; but I declare I would have discounted the note all the same. Mr. Vallière being one of our customers. But I was glad to be able to announce to our cashier that were going to receive such a deposit. I was working in a business way."

Thus Mr. Dumoulin himself says that he would have made the loan on the intrinsic value of the papers submitted for discount, without the promise of the deposit.

But on this point again and notwithstanding the correction made by him in his evidence about his letter to Mr. Bousquet, I am obliged to inform Your Honor that no such promise was ever made. Mr. Charles Langelier had already denied it in the newspapers and I append to this letter a copy of his solemn declaration and of that of Mr. Philippe Vallière categorically denying such promise. Mr. Vallière especially affirms that he went alone to the bank with Mr. Pacaud and that Mr. Langelier only happened to be there by accident; that Mr. Langelier never promised to obtain a deposit of \$50,000 to induce the cashier to discount the aforesaid check of \$20,000, but

that when Mr. Dumoulin asked him to use his influence to get him a deposit, Mr. Langelier did not promise anything and merely said that he would do his best.

I beg Your Honor's pardon for being so lengthy in my reply, but it seems to me that I should, as far as possible, leave no point raised by Your Honor in your important document without as full a reply as possible. I think I have succeeded, but if Your Honor were of opinion that there remain any blanks to be filled or any points to be cleared, I beg you will let me know and I will hasten to comply with your desire.

I have explained and justified the acts of my Government with reference to the Baie des Chaleurs matter which were done in my absence. I flatter myself that Your Honor will be satisfied both with the explanations and the justification, and I hold myself completely at your disposal for any other communication you may deem advisable to make to me, and especially to discuss the mode of an investigation with reference to this transaction and the advisability of extending the enquiry to the employment of all subsidies granted to this railway company since it came into existence.

Pray accept the assurance of the high consideration with which I have the honor to be your most humble and obedient servant.

(Signed,)

HONORÉ MERCIER,
Prime Minister.

HON. AUGUSTE REAL ANGENS,

Lieutenant-Governor of the Province of Quebec, Quebec.

I, Charles Langelier, of the city of Quebec, advocate, and Provincial Secretary of the Province of Quebec do solemnly declare:

1. That on the occasion when Messrs P. Vallière and Ernest Pacaud went to the branch of the Banque du Peuple in St. Peter-street of this city to get a check of \$2,000.00 of Mr. J. Chrysostome Langelier, in his quality of Government commissioner, discounted, I happened to be at the bank accidentally.

2. That I had nothing to do, either directly or indirectly, with the discounting of the aforesaid check of \$20,000.00 and that I was not solicited by any one to assist in getting it discounted.

3. That on that occasion, Mr. P. B. Dumoulin again asked me, what he had already frequently asked me to do, viz: to get a Government deposit for the branch of which he is cashier and that I would not bind myself to anything, telling him there and then that I would willingly do my best, but that these deposits rested within the treasurer, Hon. J. Shehyn; that no promise was made by me in that respect.

4. That I never made, either by my own hands or otherwise the deposit of \$3,000.00 mentioned in the deposition of Mr. P. B. Dumoulin before the committee of Senate, if however, he did make such a statement, as mentioned in the newspapers, for I declare that I have not read his deposition in the official report.

And I make this solemn declaration, conscientiously believing the same to be true in virtue of the act respecting extra-judicial oaths.

(Signed) CHS. LANGELIER.

Taken and acknowledged before me, at Quebec, this 10th day of September 1891.

(Signed) ALEXANDRE CHAUVEAU, J. S. P.

I, Philippo Vallière, of the City of Quebec, manufacturer, do solemnly declare:

That on the occasion when I went to the Banque du Peuple, in St. Peter-street, Quebec, in company with Mr. Ernest Pacaud, to get a check of \$2,000 of Mr. J. Chrysostome Langelier, in his quality of Government commissioner, discounted, I met there Hon. Chs. Langelier who happened to be there by accident.

That the said Hon. Chs. Langelier had nothing to do, either directly or indirectly, with the discounting of the said check.

That the said Hon. Chs. Langelier never promised to obtain a deposit of \$50,000 nor any other amount in the Banque du Peuple to induce the cashier to discount the aforesaid check of \$2,000.

That I recollect that on that occasion, Mr. P. B. Dumoulin asked the Hon. Chs. Langelier to exert his influence with the Government to obtain a deposit for his branch of the bank, but that Hon. Chs. Langelier would not promise anything. He merely said that he would do his best, but he did not bind himself to anything.

And I make this solemn declaration, conscientiously, believing the same to be true, and in virtue of the act respecting extra-judicial oaths.

(Signed) P. VALLIERE.

Taken and acknowledged before me, at Quebec, this 10th September, 1891.

(Signed) ALEXANDRE CHAUVEAU, J. S. P.

TELEGRAPH.

MONTREAL, Sept. 15, 1891.

HON. HONORÉ MERCIER, Quebec.

Leduc, Engineer, telegrams: Grading first 15 miles for track-laying purposes very forward, cutting and embankments left narrow to finish by train, works well manned, last five miles very light work not touched, principally because contractor wanted to allow farmers time to remove crops, and with sufficient force that light grading would only take a few days. Masonry foundation and trestling at Grand Casapedia expect finish in five weeks providing fair weather. Twenty miles rails landed at Levis. Contractor says will do all in his power while weather is favorable but would not promise to work a day after regular winter weather sets in; approximate force this day, five hundred men, over hundred and fifty horses.

(Signed) JAMES COOPER.

Amount of the grant.		\$280,000.00
Amount paid on account by Mr. J. C. Langeller, Commissioner to		
1. Mr C. N. Armstrong.	\$175,000.00	
2. To pay privileged debts.	41,500.00	
Mr. Langeller had still in hand on July 11 a balance to be expended of.		22,599.17
There remain still available in the Treasury a balance of.	68,500.00	63,500.00
Total.	\$280,000.00	
Balance to be employed.		\$86,039.17

QUEBEC, Sept. 14. 1891. Signed, E. MORREAU,
Director of Railways.

GOVERNMENT HOUSE,
QUEBEC, September 15, 1891. }

HONORABLE MR. HONORÉ MERCIER,
Prime Minister of Quebec.

SIR:—I have the honor to acknowledge the receipt of your letter of to-day with the explanations which I asked for in mine of September 7th instant, with reference to the Baie des Chaleurs railway matter.

My letter of the 7th instant asked you for two things: 1. explanations, and 2. your concurrence in the appointment of a Royal Commission composed of three judges with instructions to investigate and report upon the facts and circumstances which preceded, accompanied, gave rise to and followed the transactions under the Act 54 Vict., ch. 88, in so far as it affects the Baie des Chaleurs Railway Company.

You say in your letter of to-day:—

"I understand that Your Honor wishes to have the explanations before discussing the appointment of a Royal Commission and I therefore purpose in this letter, to confine myself giving such explanations and afterwards if you desire it, consider the second question."

I have considered your explanations, and I have to inform you that they are not of a nature to dispense you from the immediate consideration of the appointment of the Royal Commission required by my letter of the 7th instant. I reserve the right to reply in due time to the explanatory memorandum which you sent me to-day.

I have the honor to be, sir,
Your obedient servant,
(Signed,) A. R. ANGERS,
Lieutenant-Governor.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, Sept. 15, 1891.

HONORABLE AUGUSTE REAL ANGERS,
Lieutenant-Governor of the Province of Quebec.

MAY IT PLEASE YOUR HONOR: Your secretary, Mr. Taché, handed me this afternoon at 4:07 p. m. your letter of this day in answer to mine, in which you say:

"I have considered your explanations, and I have to inform you that they are not of a nature to dispense you from the immediate consideration of the appointment of the royal commission required by my letter of Sept. 7 instant "

I thought and I still think that an inquiry by a committee of the Legislative Assembly would give better guarantees and occasion less inconvenience than that made by a royal commission. The costs of a royal commission are always heavy and its labors may be arrested by a proceeding before the courts of justice, as has happened quite recently. We must also consider the inconvenience which would be occasioned by employing judges out of the courts, when the bar and the public have been long and continually complaining of the delays in the administration of justice.

Your honor will allow me to remind you, moreover, of what you have yourself no doubt thought of, viz., that under section 86 of the British North America Act, 1867, the Legislature has to be summoned before Dec. 30 next, in order that an interval of 12 months may not elapse between the last sitting of the last session of the Legislature and the first sitting of the following one, and that it would perhaps be difficult to finish the enquiry in time.

Nevertheless, my colleagues and myself are so desirous of meeting Your Honor's views and of having a full and complete inquiry made into all the facts connected with this transaction of the Baie des Chaleurs Railway, that

we are prepared to consent to the appointment of a royal commission, since Your Honor states that my explanations are not of a nature "to dispense me from the immediate consideration of the appointment of the royal commission required by your letter of the 7th inst." with this reservation, however, that I wish to retain my undoubted right to advise you as regards the composition of that court, while giving of your suggestions in that respect all the consideration they deserve.

I am in the council chamber with most of my colleagues awaiting any communication Your Honor may be pleased to send me.

Pray accept the assurance of the high consideration with which I have the honor to be.

Your most obedient servant,
(Signed,)

HONORÉ MERCIER,
Prime Minister.

GOVERNMENT HOUSE,
QUEBEC, September 16, 1891. }

HONORABLE HONORÉ MERCIER,
Prime Minister, Quebec.

Sir,—I have the honor to acknowledge the receipt of your second letter of yesterday, the 15th September instant, which reached me at 5:30 p. m., in answer to the communication which my secretary handed you about 4 o'clock the same day.

I notice with satisfaction that you renounce the project of having an inquiry made by a committee of the Legislative Assembly into the matter of the Baie des Chaleurs Railway, and that you acquiesce in my request to concur in the appointment of a Royal Commission composed of three judges, with instructions to investigate and report upon the facts and circumstances which have preceded, accompanied, given rise to and followed the transactions, under the Act 54 Vic., ch. 88, in so far as it affects the Baie des Chaleurs Railway Company.

I proposed to you as members of such commission, the Honorable Justices Jetté, Baby and Davidson. I beg you to let me know whether you have valid reasons of recusation against any one of these gentlemen.

I have the honor to be, Sir,

Your obedient servant,
(Signed,)

A. R. ANGERS,
Lieutenant-Governor.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, September 16, 1891.

HONORABLE AUGUSTE REAL ANGERS,
Lieutenant-Governor of the Province of Quebec.

MAY IT PLEASE YOUR HONOR: Mr. Taché handed me this morning at about 10 o'clock your letter of this day in answer to my last communication of yesterday. Your Honor says that I have acquiesced in your request to concur in the appointment of a royal commission composed of three judges, etc. Permit me to say that there is an error in this. I consented to the appointment of a royal commission, and I still consent to it, but I did not admit that it was necessary that it should consist of three judges. On the contrary I am of opinion that it would be better to have it consist of only one judge, as in the case of the inquiry into the circumstances connected with the sale of the North Shore Railway. In that case a very serious matter had to be investigated, which had greatly agitated and excited public opinion during many years. The acts to be ascertained were numerous and complicated; books of account had to be examined and difficult book-keeping to be studied; and yet the Ross Government was satisfied with one commissioner, Honorable Mr. Justice Routhier.

Moreover, as I had the honor to write to you yesterday, the administration of justice would greatly suffer by the absence for some time of three judges. A very serious incident, which happened only yesterday at the Court of Appeals in Montreal, establishes the exactness of my remark. That court had to adjourn for the want of a quorum.

I am therefore of opinion that only one judge should be appointed.

In my communication of yesterday, I had the honor of stating that I wished to retain my undoubted right to advise Your Honor as to the composition of that court,

while giving to your suggestions, in that respect, all the consideration they deserve, and your Honor replies by asking me to let you know whether I have any valid reasons of recusation against any of the Honorable Justices Jetté, Baby and Davidson, whose names you suggested in your letter of the 7th instant.

Permit me to say to Your Honor that, with all the respect I have for you, I understand, that my duty imposes upon me the obligation of offering you my advice on this occasion, and that it is for Your Honor to make known to me *the valid reasons of recusation* which you might have against the judge or judges whom I might propose.

In claiming the exercise of this right, I rely upon the constitutional authorities and precedents, which authorities and precedents cannot leave a doubt in the mind of anyone whomsoever. I will merely, for the moment, recall one of these precedents: that occasioned by what was called "the Pacific scandal."

Very serious charges had been brought before the House of Commons, by one of its members, against the Dominion ministers, and documents supposed to bear the signature of some of those ministers had been produced in support of these charges. Sir John Macdonald thought proper to submit these charges to a parliamentary committee of inquiry appointed by the House of Commons, where he had a majority; but the proceedings of this committee were arrested by the disallowance of the act which gave it power to swear witnesses. Sir John advised Lord Dufferin, the Governor-General of Canada, to constitute the members of that committee a royal commission, and on June 28, 1873, the latter stated that he was prepared to accept the advice of his prime minister in the following words:

"On the part of the Crown I should have no objection to the offer of the commission, as you propose and I think you may with perfect propriety act upon the presumption that the members of the committee will accept the charge confided to them."

On July 2, 1873, Sir John communicated his decision to the chairman of the committee, but, Messrs. Dorion and Blake having refused to hold an inquiry outside of a committee of the House of Commons and to form part of the proposed commission, the Governor-General was advised by his Cabinet to appoint as commissioners Messrs. Day, Pollette and Gowan, which was done by order-in-council.

The words pronounced by Lord Dufferin in answer to a memorial from a certain number of members of the House of Commons give great force to this precedent, and clearly explain the constitutional theory in this respect, as understood and practised by statesmen in England.

The question was to know whether the Governor-General would refuse to prorogue Parliament on the advice of his ministers, who were then under a very serious accusation. Lord Dufferin then said:—

"You then proceed to urge me, on grounds which are very fairly and forcibly stated, to decline the advice which has been unanimously tendered to me by my responsible Ministers and to refuse to prorogue Parliament; in other words you require me to dismiss them from my counsels; for, gentlemen, you must be aware that this would be the necessary result of my assenting to your recommendation.

Upon what grounds would I be justified in taking so grave a step? What guarantee can you afford me that the Parliament of the Dominion would endorse such an act of personal interference on my part? You, yourselves, gentlemen, do not form the majority of the House of Commons, and I have no means therefore, of ascertaining that the majority of that body subscribe to the opinion you have announced. Again, to what should I have to appeal in justification of my conduct?

It is true grave charges have been preferred against these gentlemen; charges which I admit require the most searching investigation; but, as you, yourselves, remark in your memorandum, the truth of these accusations still remains untested. . . . Is the Governor General, upon the strength of such evidence as this, to drive from his presence gentlemen who for years have filled the highest offices of State, and in whom during the recent session, Parliament has repeatedly declared its continued confidence?

It is true, certain documents have lately appeared in connection with these matters of great significance, in regard to which the fullest explanation must be given, but no proof has yet been adduced which necessarily connects them with the culpable transactions of which it is asserted they formed a part, however questionable they may appear, as placed in juxtaposition with the correspondence to which they have been appended by the person who has possessed himself of them. Under those circumstances, what right has the Governor-General, on his personal responsibility, to proclaim to Canada, — nay, not only to Canada, but to America and Europe, as such a proceeding on his part must necessarily do, that he believes his ministers guilty of the crimes alleged against them? Were it possible at the present time to make a call of the House, and place myself in a direct communication with the Parliament of the Dominion, my present embarrassment would disappear, but this is a physical impossibility."

(p. 32.)

"Gentlemen, the situation we have been discussing is one of great anxiety and embarrassment, but I cannot but hope that on a calm retrospect of the various considerations to be kept in view, you will come to the conclusion that in determining to be guided by the advice

of my ministers, on the present occasion, in other words, in declining to act as though the charges which have been advanced against them were already proven. I have adopted the course most in accordance with the maxims of constitutional government, and with what is due to those whom the Parliament of Canada has recommended to my confidence. (p. 33.)

I take these quotations from the memorandum itself which Lord Dufferin sent to the Imperial Government on August 15, 1873, cited in the 7th volume of the Commons Journals at the pages mentioned.

Permit me to add that, as regards the position of both Governments, there is not the slightest similarity between the case I have just cited and that of your advisers. In 1873 the ministers were accused by a member of the House of Commons, in parliamentary form, of having sold a public contract in order to procure money to bribe the people at the general elections. The member who denounced them, a man of importance in Canadian politics, risked his seat and supported his accusation with documents, some of which bore the signatures of some of the ministers.

In this case, no direct charge has been made against your advisers by any responsible person.

Therefore, in exercise of what I consider to be my right, I take the liberty of immediately proposing to Your Honor the Honorable Sir Francis Johnson, Chief Justice of the Superior Court as the sole commissioner.

Sir Francis is a distinguished juriconsult, has been a judge for many years, has never taken part in political contests and consequently offers every required guarantee of impartiality and knowledge, and his appointment will, I am convinced, satisfy public opinion.

In conclusion, allow me to remind Your Honor of what I said in my first communication of yesterday.

"I hold myself completely at your disposal for any other communication you may desire to make to me and especially to discuss the mode of an investigation with reference to this transaction and the advisability of extending the inquiry to the employment of all subsidies granted to this railway company since it came into existence."

This company was incorporated by the Legislature of the Province of Quebec which granted and paid to it very large subsidies. Public opinion will not be thoroughly satisfied until everything connected with the use made of every subsidy it has received, has been ascertained.

As I had the honor of saying to you yesterday, I must be in Montreal to-morrow to open the Provincial Exhibition. I presume that you have no objection to my leaving to-night by the 10 o'clock train to return only on Friday afternoon. Will Your Honor be good enough to tell my secretary whether I can leave to-night.

Pray accept the assurance of the high consideration with which I have the honor to be,

(Signed)

Your obedient servant,
HONORÉ MERCIER,
Prime Minister.

GOVERNMENT HOUSE,
Quebec, Sept. 16, 1891.

HONORABLE HONORÉ MERCIER,
Prime Minister of Quebec.

SIR,—In view of the appointment of a Royal Commission, with instructions to enquire and report on the Baie des Chaleurs Railway matter, I deemed it advisable to suspend the appreciation of the explanations which I received from you yesterday, September 15th, as such inquiry would throw more light on the subject. However I must at once take up certain points of law and of fact contained in your memorandum, amongst many others,

You say that I acquiesced in the order-in-council No. 237, the terms of which differ from the Act 54 Vic. Chap. 88, which ordered that the privileged debts of the Baie des Chaleurs Railway Company be paid out of the subsidy of 800,000 acres of land converted into money. It is impossible that you can have thought, I hope, thereby to relieve the ministerial responsibility of the Government. Every act of the Crown done on the advice of its ministers is covered by their responsibility; this is a principle of constitutional law of which no one can be ignorant under the system of responsible Government.

You allege that the terms of the order in council No. 237 differ from the act 54 Victoria, chapter 88, sec. 1, par J. To justify a payment not authorized by law, it cannot be maintained that the Government has the power to amend an act by an order in council.

If the Government intentionally submitted, for the approval of the representative of the Crown, this order in council, with the ministerial advice that it be signed and the assurance that everything was according to law, might not one believe that the Government, with premeditated intention, drew up its report so as to pay a creditor to whom the law gave no claim?

The assurance that order in council No. 237 was in accordance with the act 54 Vict. chapter 88, and had in view only the payment of the privileged claims of the Baie des Chaleurs Railway was given to me by Honorable Mr. Garneau, and this is shown by the instructions the latter promised me he would send, and which he did send, to Mr. J. Chrysostome Langelier, the Government Commissioner. These instructions, quoted in my first letter, clearly show the representations made to me by Mr. Garneau, when he advised me to sanction that order in council.

At page 43 of your memorandum you say that Mr. Garneau admits having had the conversation with me which I related with reference to the strong pressure on him and about the fact that it was sought to make him do things which he objected to. But I notice with surprise in your memorandum that the Honorable Mr. Garneau endeavors to give quite a different meaning to the conversation from what it really had, by giving it to be understood that he, Mr. Garneau, was then alluding to the fact that, being at the same time Commissioner of Public Works and Railways, acting Treasurer, and also acting Premier, he had a treble responsibility which fatigued him all the more that he was ill and disliked to effect the transactions, notwithstanding the strong pressure brought on him to finish it, until he had obtained satisfactory security and the opinion of the Attorney General.

At the time of the interview when the conversation above mentioned took place, Mr. Garneau had the opinion of the Attorney General although it had not been fairly written out. There was no question whatever of the multiplicity of Mr. Garneau's occupations nor of the state of his health; none of these things would have justified the words he made use of to me, viz; "that it was sought to make him do things that he objected to and that threats were made of cabling to Mr. Mercier." Mr. Garneau then certainly alluded to unlawful and undue pressure, since I advised him to resist and to act in conformity with the law. Neither his words nor mine would have had any appropriate meaning if there had been no question of unlawful and undue pressure.

In quoting that portion of my first letter where I say that there would seem to exist between the Government and the creditors of the Province a barrier where tribute is levied before justice is done to claimants, you ask me to make such barrier known to you.

In that passage of my letter I alluded to certain declarations made by Messrs. C. N. Armstrong and J. J. Macdonald, which I will repeat for your information. Mr. C. N. Armstrong has sworn that, in order to obtain the payment of the sum of \$175,000 from the Government, he was obliged to pay \$100,000 out of it to Mr. Pacaud, to whom he had previously paid another sum of \$15,000 in order to get from the Government some subsidies which were due to him. Mr. J. J. Macdonald has sworn that, in his calculation with reference to the cost of completing the Baie des Chaleurs Railway, while he was in negotiation with the Government, he had, considering his past experience, to put in \$50,000, which he would have to pay Mr. Pacaud during the course of the work, and, moreover, that he considered the latter a necessary agent with the Government.

In conclusion, I wish to add that I do not give up any of the points raised in my letter of the 7th instant, and that I do not admit any of the propositions set forth in your memorandum of September 15 instant.

I have the honor to be, sir,

Your obedient servant,

(Signed) A. R. ANGERS,
Lieutenant-Governor

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, Sept, 17 1891.

HONORABLE AUGUSTE REAL ANGERS,

Lieutenant-Governor of the Province of Quebec,

MAY IT PLEASE YOUR HONOR: I see by the Quebec official report of the proceedings before the Senate of Canada that on Friday the 11th inst, Hon. Mr. Bolduc called the attention of the Government to certain rumors current in Quebec with reference to a ministerial crisis and asked the Prime Minister (Hon. Mr. Abbott) to be good enough to say whether any correspondence had passed between the Provincial Government and the Dominion Government or between the Lieutenant-Governor of Quebec and the Governor-General of the Dominion on the subject, and that Hon. Mr. Abbott replied that there had been no correspondence between the two Governments on the subject, directly or indirectly, but that His Honor the Lieutenant-Governor had transmitted to His Excellency a copy of a letter which he had addressed to Mr. Mercier, Prime Minister at Quebec, and that His Excellency had transmitted this copy to Ottawa.

I also see in the same official reports that, on Monday, September 14th, inst., Hon. Mr. Miller moved, seconded by Hon. Mr. Dickey, that an humble address be presented to His Excellency the Governor-General, praying him to cause to be laid before the House all the correspondence exchanged between him and the Lieutenant-Governor of the Province of Quebec respecting the Baie des Chaleurs Railway, as well as all other papers or correspondence on the subject in the possession of the Government.

I learned by despatch last night that Hon. Mr. Abbott had, during the course of yesterday afternoon, laid before the Senate a letter from Your Honor to His Excellency the Governor-General transmitting him a copy of the latter which you sent me on September, 7th, and the Chronicle and the Canadien of this morning publish the greater portion of this document.

As it would be of the greatest injustice to my colleagues and myself to leave Your Honor's letter alone before the public without my reply to it, I ask your permission to publish the latter, as well as all correspondence which has followed between Your Honor and myself on the subject.

I will not give all the reasons which justify my present step. I am convinced that I have but to make the request and that it will be granted.

Please accept the assurance of the high consideration with which I have the honor to be,

Your obedient servant,

(Signed) HONORÉ MERCIER

Prime Minister.

GOVERNMENT HOUSE,

Quebec, September 17, 1891.

HONORABLE HONORÉ MERCIER,

Prime Minister of Quebec.

SIR,—I have the honor to acknowledge the receipt of your letter of yesterday, 16th September, instant which was handed to me at 6 p.m. at Spencer Wood by your private secretary, with reference to the composition of the Royal Commission which forms the subject matter of our correspondence.

I expressed to you my desire that such Commission be composed of three judges; in reply you tell me that you are of opinion that it be composed of one judge only, and you suggest as Commissioner, Sir Francis Johnson, Chief Justice of the Superior Court.

You allege that the Royal Commission, which enquired into the circumstances connected with the sale of the North Shore Railway, consisted of only one judge. I would observe at once that this investigation was a very lengthy one and lasted over two years, while the enquiry at present in question can but last a short time. This, I think, meets the objection raised by you with reference to the appointment of three judges, fearing that the administration of justice would greatly suffer by their absence.

In the second case, to which you refer, of the Royal Commission appointed to investigate the Pacific matter, the Commission consisted of three judges.

The Baie des Chaleurs matter presents at least an equally grave character.

If you had had valid reasons of recusation against Honorable Mr. Justice Davidson, I would have been satisfied to see him replaced by Sir Francis Johnson.

In your letter of 15th September instant you said that you and your colleagues were so desirous of meeting my views and having full and complete inquiry made into everything connected with this Baie des Chaleurs railway transaction, that you were prepared to consent to the appointment of a Royal Commission. This was for an inquiry into the facts and circumstances which preceded, accompanied, gave rise to and followed the transactions under the Act 54 Vic., chap. 88, in so far as it relates to the Baie des Chaleurs railway. I find that going beyond the terms of your first acceptance of the Royal Commission, which I defined in my letter of the 7th inst., you now wish to extend the inquiry to the employment of every subsidy granted to that railway company since it came into existence. The words "every subsidy" would include the subsidies granted by the Parliament of Canada, and a commission of that nature emanating from our Provincial authority would be radically null, as our jurisdiction is limited by law to Provincial objects. Thus your new proposition as to the extent of the powers of the Royal Commission would render the latter null and defeat the ends of justice. Under the circumstances I have to inform you that I refuse to accept the advice which you tender me to constitute the Royal Commission of one judge only, and to extend his powers beyond the terms of my proposition of the 7th September instant and of your first acceptance.

I have the honor to be, sir,

Your obedient servant,

(Signed) A. R. ANGERS,

Lieutenant-Governor.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, SEPT. 17, 1891.

HONORABLE AUGUSTE REAL ANGERS,

Lieutenant-Governor of the Province of Quebec.

MAY IT PLEASE YOUR HONOR.—Your private secretary, Mr. Taché, handed me, at noon to-day, your letter dated to-day, acknowledging the receipt of mine of yesterday, in which I had the honor of proposing the Honble. Sir Francis Johnson, Chief Justice of the Superior Court, as sole commissioner, and to extend the powers of the commission to all subsidies granted to the Baie des Chaleurs Railway Company since it came into existence.

You persist in your suggestion to appoint three judges instead of one alone, and you say that I go beyond the terms of my first acceptance by suggesting that the inquiry be extended to the employment of every subsidy granted to that company since it came into existence.

You add: "The words 'every subsidy' would include the subsidies granted by 'the Parliament of Canada and a commission of that nature emanating from our provincial authority would be radically null'"

This is not the time to discuss this question of law, but it would be easy to remove all doubt as to their meaning by adding to the words "every subsidy" the word "provincial." Nevertheless, I will not specially insist on this extension of power, but I hope that Your Honor will accede to my desire in that respect.

Allow me to add that, in making this proposition, I remained within the very terms of my letter of the 15th instant, since I invited you to discuss with me "the advisability of extending the inquiry to the employment of any subsidy granted to that railway company since it came into existence." I read the following in your letter:

"If you had had valid reasons of recusation against Honorable Mr. Justice Davidson, I would have been satisfied to see him replaced by Sir Francis Johnson."

I cannot say whether I have reasons of recusation valid in law against Judge Davidson, for whom I have the highest respect. But under circumstances like the present, a regular recusation is not necessary; certain rules of prudence and propriety should suffice.

Mr. Davidson has not long been a judge; when he was appointed he was actively engaged in politics; had, on several occasions, presented himself as a candidate against my political friends, and occupied the honorable position—but one, at the

same time, very significant with regard to his political leanings—of president of the Junior Conservative Association at Montreal, an important association displaying great energy in all struggles, and directing all political campaigns in the Province of Quebec in the interests of a party which was and is hostile to me.

Under these circumstances, Mr. Davidson should feel ill at ease at being called upon to judge men against whom he contended quite recently with the talent and energy which distinguish him. These considerations, offered with the greatest good faith possible, will perhaps induce Your Honor to substitute Sir Francis Johnson for Mr. Justice Davidson.

However, I desire that there be no misunderstanding between Your Honor and myself on the subject of this inquiry, and everything that may be connected therewith. I offered you my advice loyally, both as to the jurisdiction and the composition of the commission, and I regret to learn that this opinion does not please you in its entirety. I am prepared to adopt yours, while declaring, however, that I do not intend to renounce any of my rights, and to give you that concurrence which you require on my part, under the law, to appoint that commission.

The sincere desire which I have to make known all the details of this affair; the fear of the regrettable and certain agitation which would be produced by the ministerial crisis resulting from my refusal to give you such concurrence under the conditions laid down by Your Honor, and finally the serious responsibility I would assume by precipitating the province into the trouble and expense of general elections, when it has barely issued from the provincial elections of 1890 and the federal elections of 1891, are reasons which I deem sufficient to explain this act of unusual deference towards the representative of the Crown.

In conclusion, I declare that I am prepared to make the report required by the law in the terms which you have made known to me, with or without the modifications which I have just had the honor of proposing to you.

Pray accept the assurance of the high consideration with which I have the honor to be,

Your obedient servant,
(Signed)

HONORÉ MERCIER,
Prime Minister.

GOVERNMENT HOUSE,
Quebec, September 17, 1891.

HONORABLE HONORÉ MERCIER,
Prime Minister, Quebec.

SIR,—I have just received at 11.30 a.m., your letter of this day, September 17, 1891, telling me that the letter which I addressed to His Excellency the Governor-General, forwarding him a copy of that which I wrote you on the 7th September instant, had been laid on the table of the Senate, and you ask my consent to place before the public that which you addressed me on the 15th instant in reply, as well as all the correspondence which has followed between you and me on the subject. I consider that I am but doing an act of justice in offering you my services for the purpose of forwarding a copy of the correspondence between us to His Excellency the Governor-General, after which, remaining within the limit of the constitution, these documents may be communicated to the Parliament of Canada. I cannot, without violating the duties of my office, adopt any other method of proceeding.

I therefore beg you to send me at once a duplicate of your documents, and on their receipt I will forward them without delay, in order that they may have the publicity you desire. I have the honor to be, sir,

Your obedient servant,

(Signed) A. R. ANGERS,
Lieutenant-Governor.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, Sept. 17, 1891.

HONORABLE AUGUSTE REAL ANGERS,
Lieutenant-Governor of the Province of Quebec.

MAY IT PLEASE YOUR HONOR:—Mr. Taché handed me at 11.45 a.m. your letter of this day, taking up certain points of law and of fact, contained in my memorandum of the 15th instant.

My letter of this day, by which I place myself at your disposal with reference to the appointment of a Royal Commission should, it seems to me, exempt me from discussing certain points raised by Your Honor. Nevertheless, it is perhaps necessary that I should offer certain remarks in order that my silence may not be wrongly interpreted.

I beg Your Honor to believe that I never thought of relieving the responsibility of the ministers consequent upon your signature having been affixed to the order in council No. 237. In the eyes of the constitution and towards the public, we alone are responsible but between you and your ministers the responsibility is morally shared, in the sense that you cannot reproach us with an act in which you concurred, without claiming that you were misled. I have never maintained, and I hope that I will never forget myself so far as to maintain, that a government has power to amend an act by order in council, if such act does not give such power. But I did say and I maintain that the Act 54 Vict., chapter 88, section 1, paragraph J, is not limitative, and that while exacting the payment of the privileged debts to the satisfaction of the Lieutenant-Governor in council, this Act did not forbid the latter to exact the payment of all the debts of the company, all the more so that the transaction in question was made, not with persons outside of the company, but with the company itself, which was obliged, by law, to pay all its debts. It is unnecessary to say anything further on this subject, the argument which I submitted to Your Honor seems to me to be conclusive.

Moreover, how can morality or public interest suffer from the act of a government which says to a railway company so bound to give security: "You will not have the favors which the Legislature authorizes me to grant you, unless you fulfill the first obligation of an honest man, that of paying his debts."

As to the interviews between Your Honor and Mr. Garneau, I prefer to speak no more of them, in view of the delicate position in which I am placed in that respect. I will content myself with saying that Your Honor knows my colleague, Mr. Garneau, and his proverbial courtesy too well, not to understand how he suffers from this regrettable misunderstanding between two gentlemen who are equally honorable.

Notwithstanding the fact upon which Your Honor bases your assertions, that there seems to exist a barrier where tribute is levied before justice is done to claimants, are very serious and very regrettable, I nevertheless feel some satisfaction in seeing that Your Honor knows of no others than those connected with the affairs of this railway company, facts which are very blameworthy it is true, but as to the existence of which it is still permitted to doubt until an impartial and regular inquiry is made at which both sides can be heard.

Pray accept the assurance of the high consideration with which

I have the honor to be,

Your obedient servant,

(Signed) HONORÉ MERCIER.
Prime Minister.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, Sept. 18, 1891.

HONORABLE A. R. ANGERS.

Lieutenant-Governor, Quebec;

MAY IT PLEASE YOUR HONOR—Your secretary, Mr. Taché, handed me at 1.30 p.m., yesterday, your letter of yesterday, in which you say that you consider that you are doing an act of justice by offering yourself as the channel for forwarding the copies of the correspondence exchanged between us to His Excellency the Governor-General, "after which, remaining within the limits of the constitution, these documents may be communicated to the Parliament of Canada."

Your Honor concluded this letter by saying "I therefore beg you to send me duplicates of your documents, and upon their receipt, I will forward them without delay, in order that they may have the publicity which you desire."

I thank Your Honor for your offer which I find perfectly satisfactory, and I therefore send you, for the purpose aforesaid, copies of the whole of our correspondence. I would beg of you to add a copy of your answer to my last two letters of to-day, in order that the whole may be produced, at the same time, before the Houses at Ottawa.

Pray accept the assurance of the high consideration with which I have the honor to be, Your Honor's most humble and obedient servant.

(Signed,) HONORE MERCIER,
Prime Minister.

GOVERNMENT HOUSE,
QUEBEC, Sept. 18, 1891.

HONORABLE HONORÉ MERCIER,
Prime Minister of Quebec,

SIR: In reply to my letter of yesterday signifying my refusal to accept your advice as to the extent and composition of the Royal Commission which you proposed to me in opposition to that which I offered, you state to-day that you are prepared to make the report required by law in the terms which I have made known to you, with or without the modifications you propose.

You will, I hope, understand that the substitution of Hon. Mr. Justice Johnson for Hon. Mr. Justice Davidson for the reasons which you give me would not be justifiable. This would be to insinuate in official documents of the highest importance that Mr. Justice Davidson, in assuming the ermine, has not cast off political animus.

Therefore, please cause to be prepared, without delay, for examination a draft report of the Executive with reference to the Royal Commission to be appointed and composed, by order of seniority, of Hon. Mr. Louis A. Jette, Judge of the Superior Court, Hon. Louis Francis George Baby, Judge of the Court of Queen's Bench, and Hon. Charles Peers Davidson, Judge of the Superior Court, all three of the city of Montreal, to investigate and report upon the facts and circumstances which have preceded, accompanied, given rise to and followed the transactions made under the Act 54 Vict., chap. 88, in so far as it affects the Baie des Chaleurs Railway Company, and also a draft of the Royal Commission.

Your obedient servant,

I have the honor to be, sir,
(Signed,) A. F. ANGERS,
Lieutenant-Governor.

GOVERNMENT HOUSE,
QUEBEC, September 18, 1891.

HONORABLE HONORÉ MERCIER,
Prime Minister of Quebec.

SIR:—I have the honor to acknowledge the receipt of your letter in answer to mine in which I took up certain points of law and of fact contained in your memorandum of the 15th instant.

I have the honor to be, sir,
Your obedient servant,
(Signed,) A. R. ANGERS,
Lieutenant-Governor.

GOVERNMENT HOUSE,
QUEBEC, September 18, 1891.

HONORABLE HONORÉ MERCIER,
Prime Minister of Quebec.

SIR:—I have the honor to acknowledge the receipt of your letter containing the documents which you wish me to forward to His Excellency the Governor General. I will add to these documents a copy of the letters which I send you to-day.

I have the honor to be, sir,
Your obedient servant,
(Signed,) A. R. ANGERS,
Lieutenant-Governor.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, Sept. 19, 1891.

MAY IT PLEASE YOUR HONOR,—I have the honor to forward you for examination, in pursuance of your desire, the report in Council recommending to you the nomination of a Royal Commission, as agreed between us, in the Baie des Chaleurs affair, as well as the draft of the commission.

I hope that you will be satisfied with the diligence I have used in preparing these documents before my departure for Montreal, from whence I will return on Thursday next, my intention being to assist as much as possible in my capacity as Minister of Agriculture at the grand exposition now being held in that city.

Accept the assurance of the high consideration, with which I have honor to be,

Your very devoted,

(Signed) HONORÉ MERCIER,
Prime Minister.

THE HON. AUGUSTE REAL ANGERS,
Lieut.-Governor Province of Quebec.

GOVERNMENT HOUSE,
QUEBEC, this 21st Sept. 1891.

HONORABLE HONORÉ MERCIER,
Prime Minister, Montreal.

SIR,—I have the honor to acknowledge receipt of your letter of Sept. 19, which was received Saturday afternoon, containing your report; that of the Executive Council, and the draft of the Royal Commission in the Baie des Chaleurs railway affair.

I have made, with the consent granted by you to me in advance, certain modifications and filled in certain omissions. I have given the presidency of the commission to Hon. Judge Jetté, and I have given to the Commissioners the power to employ a clerk, stenographers and other required officials, and to have their proceedings, the evidence and their report printed. I have also fixed the place of meeting at Quebec, or elsewhere if the ends of justice require it; and I have in consequence modified the draft of the commission.

Sunday morning, my secretary, Mr. Taché, placed these documents in the hands of Mr. Grenier, clerk of the Executive Council.

I beg of you to cause to be prepared the royal commission in triplicate with all practicable speed, and to cause an extra of The Official Gazette to issue for its publication.

Will you also have copies made of all correspondence exchanged between us so that in the exercise of my prerogative I may transmit to the commissioners so that they may by this means take communication and be officially informed thereof. I thought this mode preferable to that of repeating in your report, in that of the Executive Council, and in the commission the matters which the commissioners are charged to investigate.

It is necessary that an order-in-council should be adopted to place, at the disposition of the commissioners, a certain sum of money towards defraying the expenses of the commission.

I have the honor to be,
Your devoted servant,
(Signed,) A. R. ANGERS,
Lieutenant-Governor

Copy of the report of a Committee of the Honorable the Executive Council dated the 19th September, 1891, approved of by the Lieutenant-Governor on the 19th September, 1891.

No. 410.

The Honorable Minister in a report dated the 19th September instant, (1891,) sets forth: that it is advisable in the public interest that a Royal Commission do issue under the authority of articles 596 and following of the Revised Statutes of the Province of Quebec, respecting inquiries concerning public matters, addressed to the Honorable Louis A. Jetté, Judge of the Superior Court, Louis Francois Baby, Judge of the Court of Queen's Bench, and Charles Peers Davidson, Judge of the Superior Court, all three of the City of Montreal, the said Honorable Louis A. Jetté to be, on account of seniority, the president of the said commissioners, authorizing the said commissioners to inquire into and report upon the facts and circumstances which have preceded, accompanied, given rise to and followed the transactions made under the Act 54 Victoria, chapter 88, in so far as it relates to the Baie des Chaleurs Railway Company, and for that purpose conferring upon the

said commissioners all the powers granted in and by the said articles and especially the power of summoning witnesses before them, of requiring them to give evidence under oath, either orally or in writing, and to produce the documents and things which they deem requisite to the full investigation of the matters into which they are appointed to inquire, and further authorizing the said commissioners to employ a clerk, stenographers and other necessary officers, and to cause the minutes of their proceedings, the evidence and their report to be printed; the sittings of the said commission to be held in the City of Quebec or elsewhere in the Province, if the ends of justice require it.

Certified.

(Signed,) GUSTAVE GREENIER,
Clerk of the Executive Council.

CANADA,
Province of Quebec, }
[L. S.]

A. R. ANGERS.

Victoria, by the Grace of God, of the United Kingdom of Great Britain and Ireland, Queen, Defender of the Faith, &c., &c., &c.

To all to whom these presents shall come or whom the same may concern—
GREETING :

A PROCLAMATION.

J. E. ROUIDOUX, } Whereas by a report of the Honorable Prime Minister, by a report
Atty.-General. } of the Honorable Executive Council for Our Province of Quebec, and
by an order of Our Lieutenant Governor in Council it is declared that it is advisable,
in the interest of the public, that a Royal Commission be issued to inquire into and
report on the facts and circumstances which preceded, accompanied, caused and fol-
lowed the transactions made under the Act 54 Vict., chapter 88, in so far as it relates
to the Baie des Chaleurs Railway Company;

And Whereas We have deemed it advisable, in the interest of the good govern-
ment of Our said Province, that such inquiry be made;

Now know ye, that by the advice of the Executive Council of Our Province of
Quebec, and under the authority of article 596 and following of the Revised Statutes
of Our said Province on the subject of inquiries concerning public matters, We do
constitute and appoint the Honorable Louis A. Jetté, Judge of Our Superior Court, the
Honorable Louis Francois George Baby, Judge of Our Court of Queen's Bench, and the
Honorable Charles Peers Davidson, Judge of Our Superior Court, all three of the City
of Montreal, commissioners to make an inquiry into and report on the facts and cir-
cumstances which preceded, accompanied, caused and followed the transactions made
under the Act 54 Vict., chapter 88, in so far as it relates to the Baie des Chaleurs
Railway Company, and We do constitute the said Honorable Louis A. Jetté, president
of the said commissioners.

And for that purpose, under the authority of the said article 596 and following of
the Revised Statutes of Our Province of Quebec, WE do give to the said commissioners,
all the powers granted in and by the said articles, and particularly the power of sum-
moning before them any witnesses and of requiring them to give evidence on oath,
orally or in writing, and to produce such documents and things as they may deem
requisite to the full investigation of the matters into which they are appointed to
examine, and WE do authorize the said commissioners to employ a clerk, steno-
graphers and other officers who may be required, and to cause the minutes of their
proceedings, the proof and their report to be printed.

And WE do order that the sittings of the said commission be held in the city of
Quebec, or elsewhere in Our said Province, if the ends of justice require it.

Of all which Our loving subjects and all others whom these presents may concern,
are hereby required to take notice and to govern themselves accordingly.

In Testimony Whereof, We have caused these Our Letters to be made Patent and
the Great Seal of Our said Province of Quebec to be hereunto affixed :

Witness, Our Trusty and Well Beloved the Honourable Auguste Rea! Angers, Lieu-
tenant-Governor of Our said Province of Quebec.

At Our Government House, in Our City of Quebec, in Our said Province of Quebec,
this Twenty First day of September, in the year of Our Lord, one thousand eight
hundred and ninety-one, and in the fifty fifth year of Our Reign.

By command,

CHAS. LANGELIER,
Secretary.

Cabinet du Premier Ministre de la Province de Québec.

QUEBEC, 23rd September, 1891.

MAY IT PLEASE YOUR HONOUR,

On my arrival here this morning from Montreal, I find your letter of the 21st instant, and I hasten to answer it.

As you are no doubt aware the commissions are sent and the Quebec Official Gazette extra has been published. I am having a copy made, as you requested, of all the correspondence between us and it will shortly be at your disposal.

I have drawn up the report in council to place a certain sum of money at the disposal of the commissioners to contribute towards defraying the expenses of the expenses of the commission as you asked me to do in your letter, but I would beg you to let me know what amount I should recommend.

Pray accept the assurance of the high consideration with which I have the honour to be,

Your obedient servant,

(Signed) **HONORE MERCIER.**

HONOURABLE AUGUSTE RÉAL ANZERS,

Lieutenant-Governor of the Province of Quebec,
Spencer Wood.

GOVERNMENT HOUSE,

QUEBEC, 26th September, 1891.

HONOURABLE HONORÉ MERCIER,

Prime Minister, Quebec.

SIR,—I have the honour to acknowledge the receipt of your letter of this day asking me what amount should be placed at the disposal of the commissioners in re the Baie des Chaleurs Railway.

I think that a sum of \$2,000 would suffice for the present.

I have the honour to be, sir,

Your obedient servant,

(Signed) **A. R. ANZERS,**

Lieutenant-Governor.

Copy of the report of a Committee of the Honourable the Executive Council, dated the 24th September, 1891, approved by the Lieutenant-Governor on the 25th September, 1891.

No. 411.

On the issuing of a special warrant for \$2,000 00.

The Honourable Provincial Treasurer in a report dated the 24th September instant, 1891, sets forth that it is necessary to place a certain sum at the disposal of the commissioners appointed by order-in-council No. 410, dated the 19th instant, to inquire into and report upon the matter of the Baie des Chaleurs Railway; that the sum of two thousand dollars (\$2,000.00) would be sufficient to defray the first expenses.

That as there is no statutory appropriation out of which this amount can be paid, the Honourable Treasurer therefore recommends that a special warrant for the said sum of two thousand dollars be issued to enable the Treasury to meet the first expenses of the said commissioners.

Certified.

(Signed) **GUSTAVE GRENIER,**

Clerk of the Executive Council.

