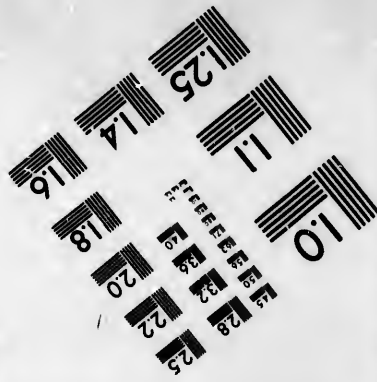
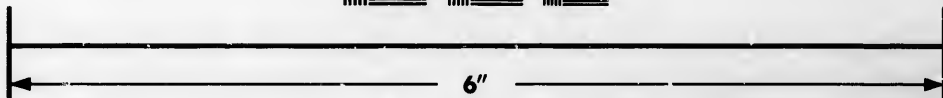
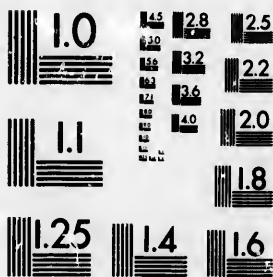


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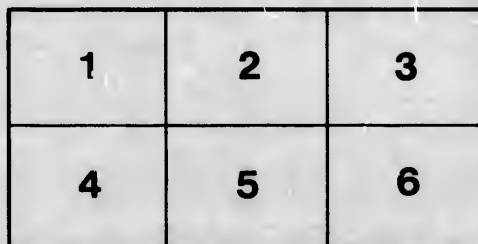
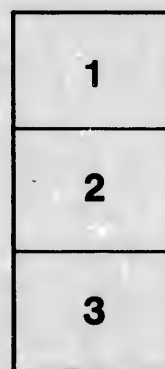
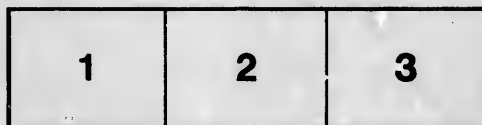
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HALIFAX AND GREAT WESTERN RAILWAY.

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REPORT

—OF—

NEGOTIATIONS AT OTTAWA.

1886.

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*To the Directors of*  
**The Halifax & Great Western Railway Company.**

RUSSELL HOUSE,  
 OTTAWA. DEC. 8, 1886.

**Consolidation of Western Railways.**

GENTLEMEN,—

The negotiations with the Government of Canada in this matter which I have been carrying on in your behalf have now reached a point at which it seems desirable to place before you a connected statement of the proceedings which have been taken up to this time. I have, therefore, the honor to submit to you the following review of the negotiations from the date of the passing of our Charter, and the other legislation upon this subject, by the Provincial Legislature.

2. Upon our arrival at Ottawa, Mr. C. A. Scott and I presented to the Government, the Memorial dated May 21, 1886, copy annexed. (Appendix A.)

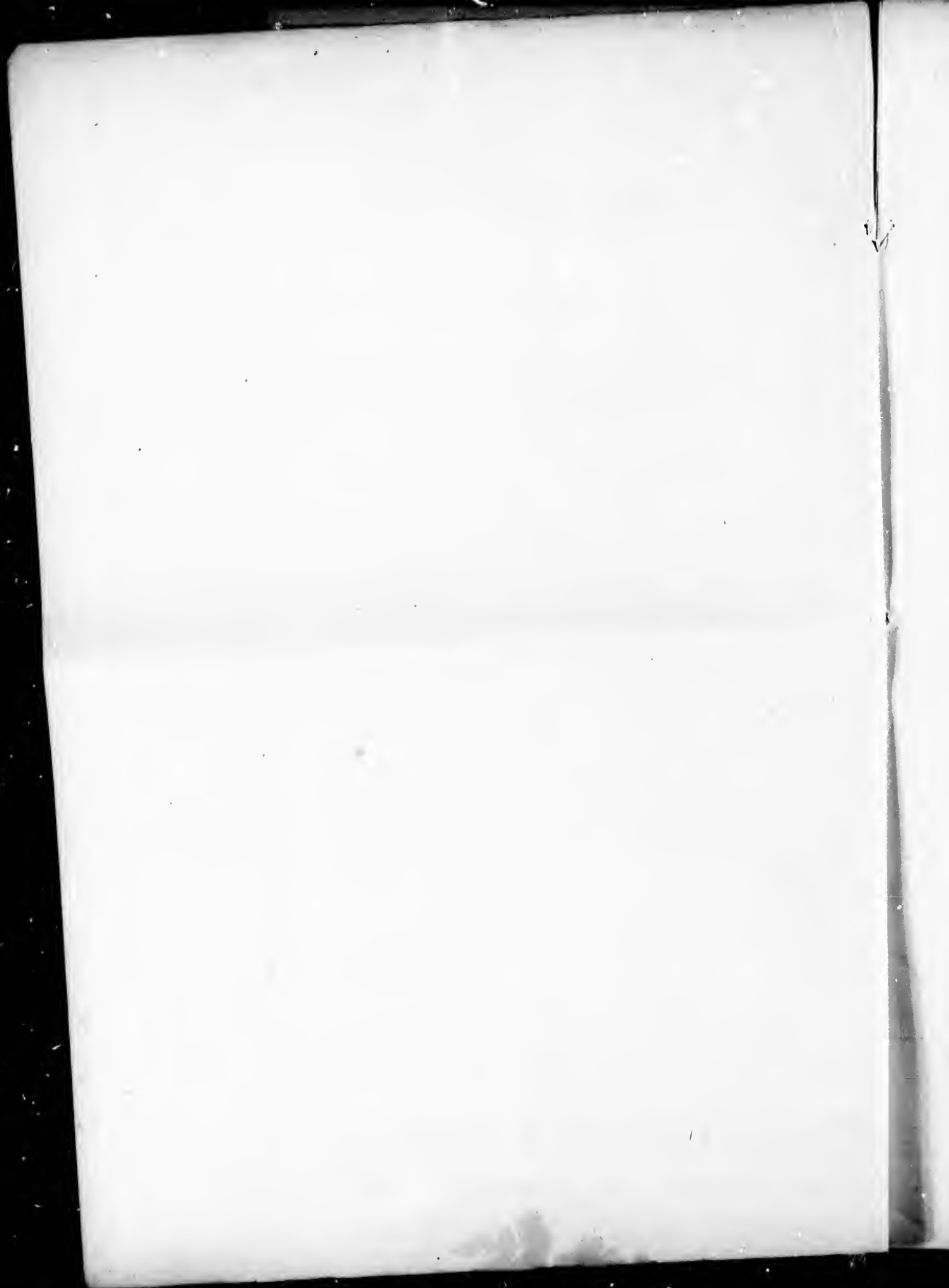
3. Previous to the passing of the legislation by the Provincial Legislature, there had been long negotiations between the representatives of the Western Counties Railway Company and ourselves, as to the amicable acquisition of that Railway and the transfer of all its rights, privileges and claims to your Company so as to enable the latter to obtain the "release of claims" in respect of the Windsor Branch, required by Chap. 16 of the Acts of the Parliament of Canada, 1882. These negotiations resulted in an arrangement to which, as we understood, the Western Counties Directors assented, whereby the holders of A bonds outstanding were to receive 20 per cent. of the face value of these bonds in cash, out of the \$100,000 provided in our scheme, and in certain cases a further 20 per cent. in bonds of the Company ranking after the guaranteed bonds, but before the preference or ordinary shares, such bonds bearing interest at 5 per cent. and to be payable, principal and interest, within 20 years. It was further provided that the municipality of Yarmouth were to receive an equal amount of common stock of the new Company in exchange for \$100,000 of common stock of the Western Counties Company held by them; and also that with a view to interest the local people in the new Company, the actual residents of Yarmouth should receive common stock of the new Company in exchange for the shares held by them in the Western Counties Company.

4. It may be as well to pause here to point out what would be, under these arrangements, the total cost to your Company and to the Government of Nova Scotia, of the Western Counties Railway, from Yarmouth to Annapolis. This cost is made up of three components: (1.) The loans due from the Western Counties Company to the Government to be remitted; (2.) Cash, bonds and stock, to be paid by the new Company to the old one; and (3.) cash to be expended in completing and repairing the existing railway.

5. The figures are as follows:

A. Loans to be remitted:		
Guaranteed loan of £55,000, with accrued interest	\$375,000	00
Subsequent loan of £10,000.....	50,000	00
B. Payment to old Company:		
Cash out of guaranteed funds.....	120,000	00
Bonds of new Company.....	45,300	00
Shares of new Company to Township of Yarmouth	\$100,000	00
Others in Yarmouth.....	100,000	00
	200,000	00
C. Expenditure by new Company:		
Repairs to existing railway.....	200,000	00
Construction of "Link".....	600,000	00
	1,590,300	00

or about \$18,500 per mile for the 86 miles.





6 Upon arriving at Ottawa I found that the Western Counties Directors, under circumstances of which I do not know the details, but apparently from a belief that the Dominion Government would help them to better terms, had withdrawn from the understanding above described, and had lodged a protest dated May, 11th, (copy annexed appendix B\*) and also subsequently addressed a letter (copy annexed, appendix C.\*) to the Honorable the Secretary of State, copies of which documents were courteously furnished to me by Mr. J. R. Kinney, M. P. for Yarmouth.

7. I do not propose here to controvert the statements made in those documents, as a comparison of them with the letter of the statutes to which they refer will enable you to judge how far they are well founded; but I enclose a Memorandum (appendix D) which Mr. Scott and I prepared and circulated to Ministers and others, replying to some points raised on behalf of the Western Counties Company.

8. About the time our Memorial was submitted, several references were made to the Consolidation Scheme in the House of Commons, for full reports of which I would refer to *Hansard* for May and June, 1886, pages 1,673,-1,675,-76,-77,-86,-96,-98,-99,-1766,-67,-68,-69,-70. But it is necessary to draw your attention especially to the remarks of the Hon. Mr. McLelan, Minister of Finance, on the 28th May, 1886, (*Hansard*, page 1677), from which the following are extracts:—

"The hon. gentleman has forgotten to mention that about the time of Confederation a subsidy of \$1,000,000 was given to continue the road from Windsor to Annapolis,† about eighty miles, and some years after Confederation the Dominion Government offered the Windsor Branch to any Company that would complete the road from Annapolis to Yarmouth. A company was eventually formed, and having been also subsidized by the Local Government of Nova Scotia, it commenced the construction of that work, and made the connection, all but about eighteen miles. The hon. gentleman knows that the Local Government have now made an arrangement with a company to complete those eighteen miles, and that company are expecting to receive the Windsor Branch, and they are also expecting to receive \$64,000 which was offered by the Dominion Government two years ago. \* \* \* \* \*

"They have the Windsor Branch which cost nearly \$2,000,000, and they have a grant from the Local Government of \$100,000 a year for twenty years, in addition to the \$100,000 which is covered by deposit, and surely a Company so largely subsidised as that is, cannot fail to build the eighteen miles of road to make connection, and put the whole in good order." \* \* \* \* \* "With that arrangement, they could hardly expect the Dominion Government to step in and give a further subsidy,"

9. I would also draw attention to the remarks of Mr Kaulbach, M. P., on May 29, (*Hansard*, page 1696.) of which the following is an extract:—

"When interviewing members of the Government last week, I was informed that they were impressed with the idea that the newly formed Company or syndicate, which is a mere bubble, which has no foundation, as I believe, which is managed by a person by the name of C. A. Scott, and which is known as the Joint Stock Association, is simply intended to retain the Local Government in power. It is a sort of mushroom Company which has only sprung up within a few days, and no one knows anything about it."

On the same day, Mr. Kinney, in the course of some remarks, (*Hansard*, page 1,698) said:—

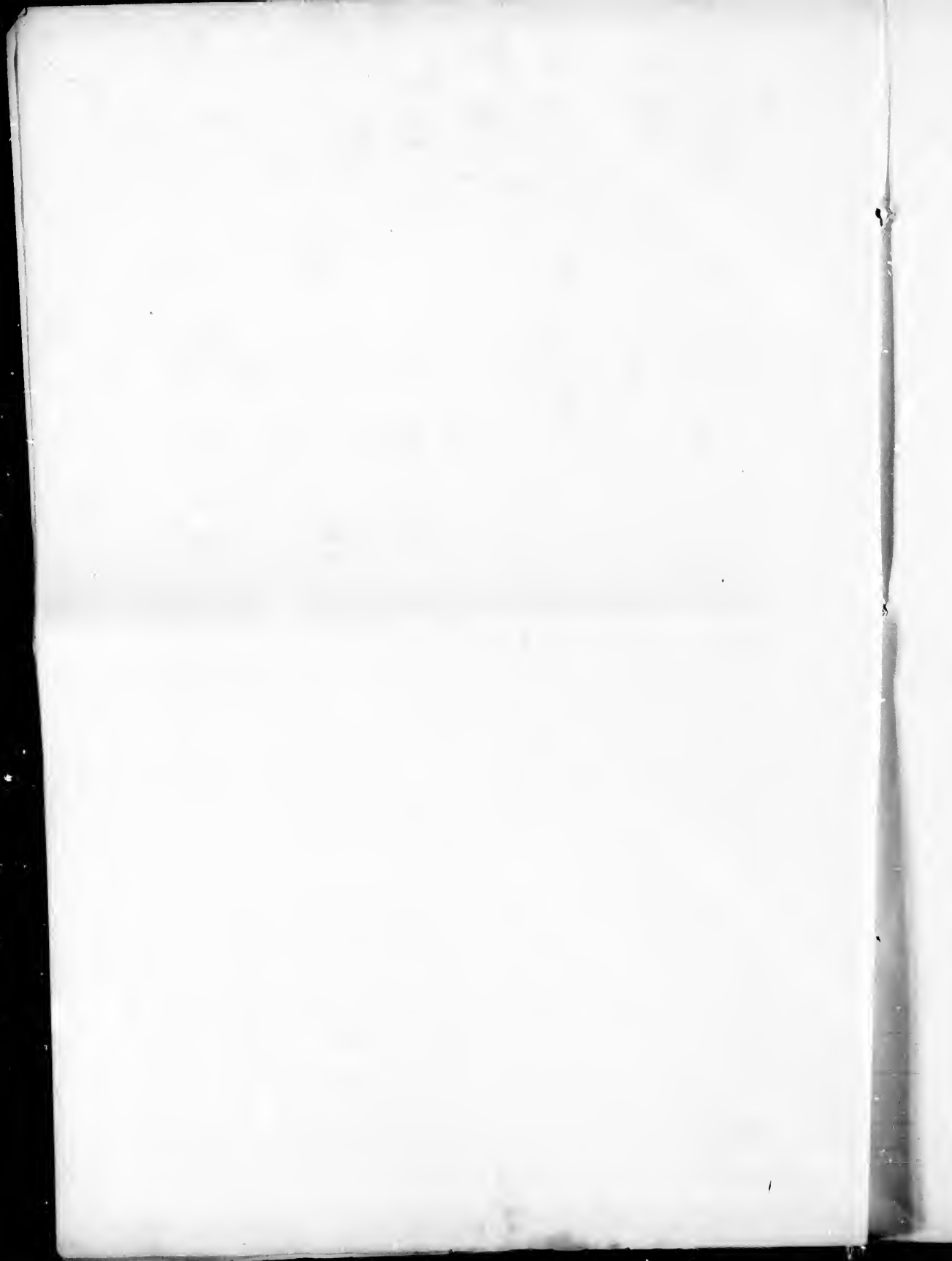
"The scheme, on its face, looks very plausible and reasonable, but when analysed is found to be simply a project of the Government of Nova Scotia to hand over to a foreign company sixty-seven miles of finished and furnished railway, and the Windsor Branch, which is computed to be worth \$1,000,000, for the magnificent sum of \$120,000."

10. Hon. Mr. McLelan, in winding up the conversation, (*Hansard*, page 1,699), said, in the course of his remarks:—

"The Government expressed their desire to have that completion (meaning the link between Annapolis and Digby) made years ago by the donation of the Windsor Branch for that purpose. At a late period they supplemented that gift by \$3,200 a mile for the eighteen miles that are yet existing (? wanting.) \* \* \* \* \* It is much better that their proposition (viz., the plan of the Nova Scotia Government) shall be, if possible, carried out, if justice can be done to the Western Counties Railway, and then, that being tried, I think the possibilities are that we may succeed. My hon. friend from Yarmouth thinks otherwise. that it cannot be done without doing great injustice to the municipality of Yarmouth and the Western Counties Railway."

\*Not reprinted.

†NOTE.—This subsidy, however, was out of Provincial funds.



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

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

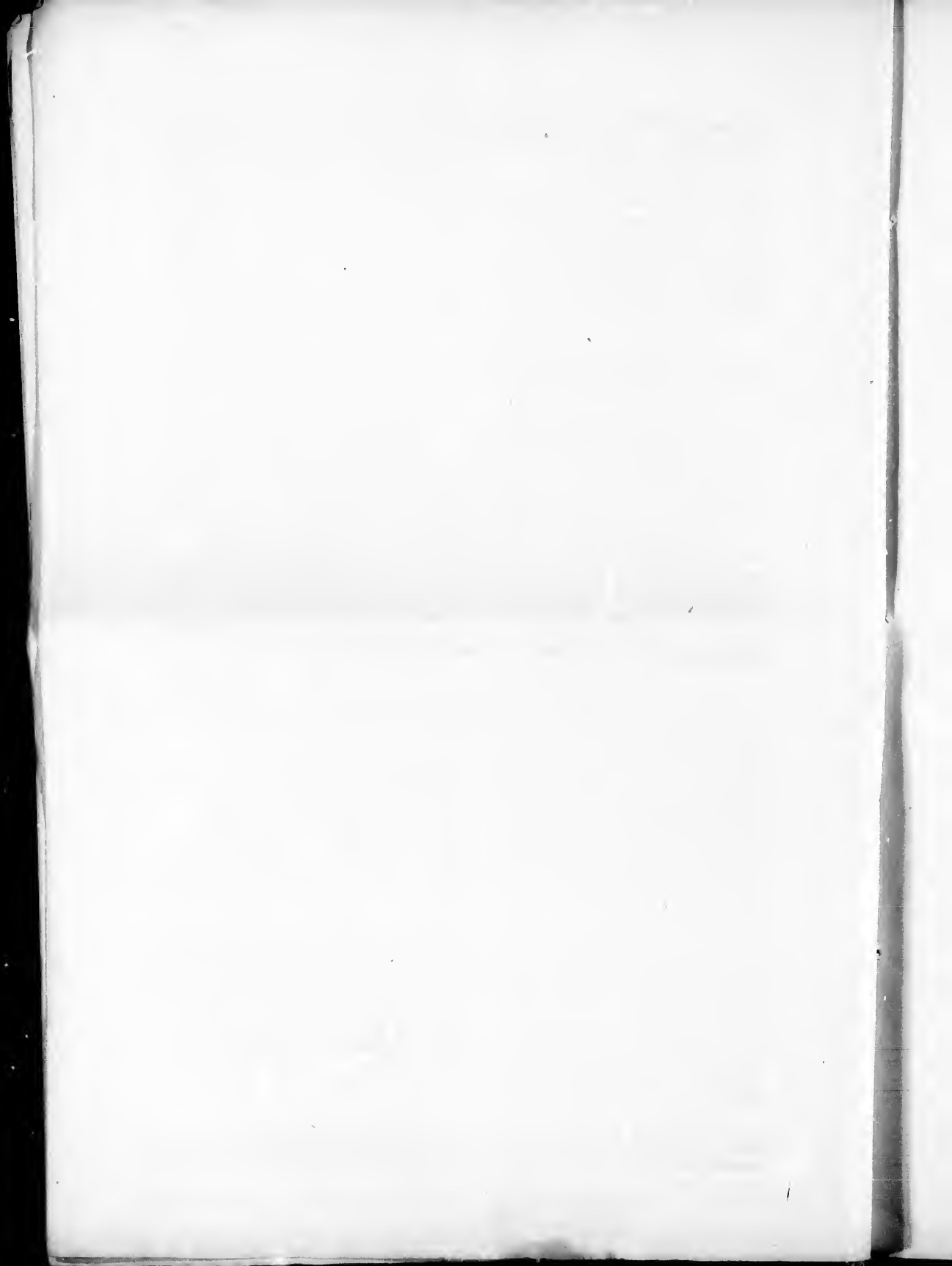
13. Finding from the proceedings in Parliament that the Government were not disposed to allow the scheme to proceed unless something were done to satisfy the municipality of Yarmouth and the Western Counties Railway Company, I endeavored to devise some means to meet the difficulty. As to the municipality,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

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

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

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

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



a considerably less sum granted in aid to our Company would enable us, besides building the line and carrying out consolidation, to make some substantial compensation, on behalf of the Dominion Government to their bondholders.

18. After some discussion, I visited Yarmouth and succeeded in effecting a provisional arrangement to the following effect: If the Dominion Government would grant us a moderate subsidy (eventually fixed at \$375,000) we were to buy up the bonds, including those deposited with the Government of Nova Scotia by Messrs. Markby, Stewart & Co. at 40 per cent of their face value. We were to pay the Company itself \$5,000 to meet some floating debts, and we were to buy the stock of the Municipality at a price of 33 to 40 per cent of its face value. The Company was to surrender the Railway peaceably to us, and to give the release of claims required by the Dominion Government.

19. All the Yarmouth bondholders assented to this scheme, as did other principal holders; and as by this arrangement the bondholders would have received much more than they are likely to get in any other way, I believe all would have fallen into it eventually, except possibly Mr. Plunkett, who however holds but a small quantity of debenture stock.

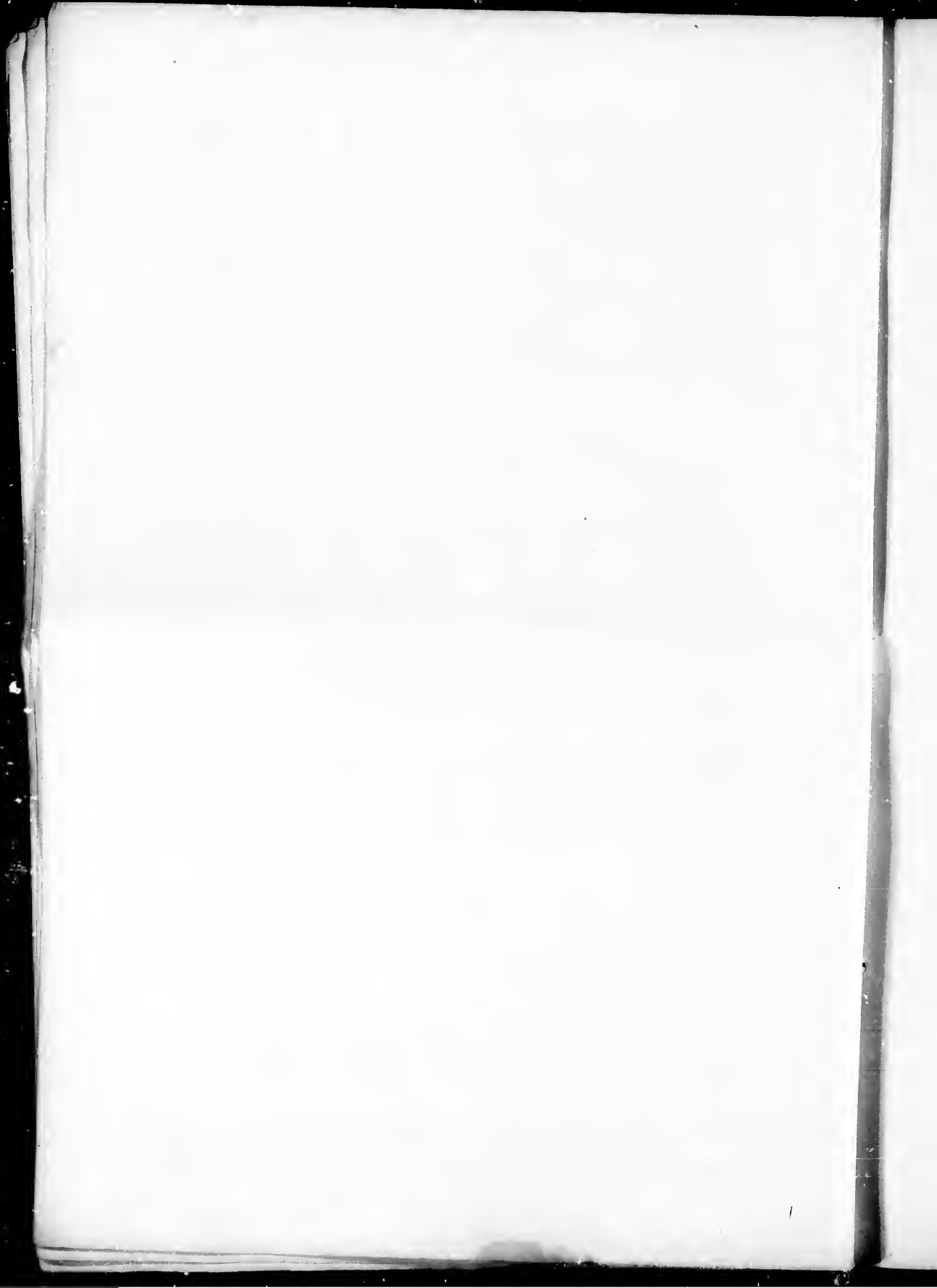
20. Having obtained the assent of the Government of Nova Scotia to my proposed scheme, provided it did not infringe upon any of the provisions of our contract with them, I proceeded to submit it to the Government of the Dominion in my letter of Aug. 27, and the memorandum annexed thereto (appendices F. & G.) addressed to the Honorable the Minister of Railways. The Minister of Finance had expressed in Parliament a desire that the scheme should be carried out, provided that justice be done to the Municipality and to the Western Counties Railway Company. It appeared that the justice desired by these bodies consisted in the payment of claims alleged to be due to them from the Dominion Government. If these claims were not considered by the Dominion Government well founded, then the non-recognition of them by us was not an injustice, and there was no reason on that ground for refusing the assent of the Government to our scheme. If on the other hand the claims were well founded, the injustice would be in the Dominion Government's refusal to settle them, and this again could be no reason for refusing to assent to our scheme.

21. I showed how the Dominion Government could meet these claims, and satisfy all reasonable demands, and at the same time ensure the completion of the link, and the consolidation of the system, at a less cost than they had already undertaken to incur for an imperfect and mutilated scheme. I pointed out that this system of trunk railway has had no aid at all from the Dominion, except the subsidy of \$64,000 voted in 1884, and the promise of the Windsor Branch, the value of which is nullified by the conditions and burdens attached to it; and urged that, considering the scale of subsidies granted to railways in other Provinces, and the large contributions to these subsidies furnished from the revenues of Nova Scotia, the amount of \$375,000 asked for was most moderate and reasonable. I explained carefully that the Company only asked for an increase of the original subsidy to enable them to meet claims upon the Dominion Government itself, and not for the benefit of the Company; I showed Ministers how it was proposed to apply the increase asked for, and offered to modify either the application of the money or the amount asked for, and to place the expenditure of it under the direct control of the Government if they desired it.

22. Lastly, I pointed out that we were an Anglo-Nova Scotian Company, proposing to bring in a large amount of capital from England, to be raised and spent under conditions of control and supervision more stringent than have ever been submitted to in this country; that there was no contractor, or promotion money, that the promoters were content to look solely for any remuneration to the future surplus earnings of the line, and that having shown our bona fides by the expenditure of considerable funds and two years of negotiations, we were entitled to look for some moderate encouragement from the Dominion Government.

23. These proposals were under consideration by the Government for some weeks, but I have now received a letter dated November 30, 1886, from the Minister of Railways, (appendix H) declining to entertain the request for an increase of subsidy, and enquiring how we propose to deal with the claims of the Western Counties Railway Company. I annex a copy of my reply to this letter (appendix K.)

24. The long delay which has occurred in giving any reply to our Memorial of May last, the present refusal to entertain a proposal for which I venture to think a strong case was made out in the memorandum of August 27th (appendix C,) and the general impression left by my interviews with Ministers, together with the apparent preference



shown by the Order in Council of June 9th, to grant larger aid than we asked for to the Western Counties Railway Company for an imperfect scheme, appear to indicate a reluctance to co-operate in our scheme for the completion and consolidation of these railways for which I am unable to offer any explanation; the more so that no tangible objection to the scheme has been raised by any of the Ministers in my conversations with them.

25. One point indeed was mentioned which concerns the relations between the Federal and the Local Governments rather than our Company. The Minister of Finance remarked that the Local Government was asking for financial aid from the Dominion, while by this scheme they were taking additional burdens upon themselves. But so far as any burden was imposed upon the Provincial Treasury by this scheme, it is caused by the Province undertaking to buy back the lease by which a former Dominion Government alienated the Windsor Branch from the purpose for which it had been assigned. If the Dominion Government assumed this charge, and restored the original status of the Windsor Branch at its own expense, as it may be contended justice and equity require, then there would be no burden whatever, contingent or otherwise, imposed upon the Provincial Treasury.

26. It would almost seem as if the Federal Government desired to take advantage of the stipulation as to the release of claims embodied in Chap. 16 of 1882, to impose upon the Province the payment of any damages which may be found to be due from the Dominion Government to the Western Counties Company in respect of the failure of the Dominion Legislation of 1874. It is rather for the Local Government than for us to contest the fairness and justice of such a transfer of obligation, but I may be permitted to point out that the circumstances under which Parliament laid down that stipulation were widely different from the present. Apart from other differences, the Dominion Government of that day agreed to receive from the Province a deposit of \$2,000,000 at 5 per cent. interest, in perpetuity, while the present Government has only consented to allow the Province 4 per cent. for our deposit. The difference of 1 per cent. per annum on two millions of dollars, in perpetuity, capitalized at 4 per cent., is equal to a subsidy of \$500,000, which, therefore, enabled the Local Government and the Company of 1882, to pay the Western Counties Railway Company a sum large enough to cover not only the commercial value of their road, but compensation for their claims as well. We have already offered to settle the whole matter for less aid than the Dominion Government granted to the scheme of 1882 under this head alone. This has been refused, but if the condition of the Legislation of 1882 is adhered to, surely the substance of the arrangement should be adhered to also. The Government of Canada, it appears, wish at the same time to withdraw the assistance given to the scheme of 1882, and still to insist on the condition attached to that assistance, which seems manifestly unfair.

27. As this matter is one that is mainly between the two Governments, I beg to suggest that you should now move the Local Government to address the Government of Canada with a view to their either settling their dispute with the Western Counties Railway Company, and so enabling the Local Government to procure from the Western Counties Railway Company a release in terms of the Act, or else that the Government of Canada should agree to recommend Parliament to withdraw the stipulation in question at the next session, so that we might purchase the Railway clear of these disputed claims which would be left to the Government of Canada to settle with the claimants amicably or in the Courts, as they may think fit.

I have the honor to be,  
Gentlemen,

Your most obedient servant,

R. GERVASE ELWES,

*M. Inst. C. E.*





## APPENDIX A.

**Memorial**

*To His Excellency the Most Honorable Sir Henry Charles Keith Petty-Fitzmaurice,  
G. C. M. G., Marquis of Lansdowne, &c., &c., Governor-General of Canada, and  
Vice-Admiral of the same.*

## THE PETITION OF THE UNDERSIGNED HUMBLY SHEWETH:

That the Legislature of Nova Scotia has granted a charter to Jasper W. Johns, M. P., William Eckersley, M. Inst. C. E., Brinsley de Courcy Nixon, Robert John Price, Adam West Watson, R. Gervase Elwes, M. Inst. C. E., G. Wells Owen, M. Inst. C. E., Francis T. Piggott, all of Great Britain; Hon. Loran E. Baker, Jacob Bingay, both of Yarmouth, N. S.; H. H. Fuller, John S. Maclean, William Esson, Adam Burns, Edward Farrell, M. D., and Charles A. Scott, all of Halifax, N. S., under the name of the "Halifax and Great Western Railway Company," for the purpose of completing and consolidating the Western Railways of that Province, namely, from Windsor Junction to Yarmouth.

That an agreement has been entered into between the Government of Nova Scotia and the Joint Stock Association, Limited, of London, England, whereby the Association has bound itself to raise the capital required to enable the Company to carry out the said consolidation.

That the said agreement has been confirmed by an Act of the Legislature of Nova Scotia, entitled the "Railways Aid and Consolidation Act, 1886," of which a copy is appended to this Memorial.

That the undertakings on behalf of the Company to complete and consolidate the said railways, and on behalf of the Association to raise the capital required for that purpose, are conditional upon the granting by the Government of Canada of certain concessions referred to in a despatch from the Honorable the Secretary of State to His Honor the Lieut.-Governor of Nova Scotia, under date of the 19th January, 1886, and also in a letter from the Honorable the Minister of Railways to the Honorable the Provincial Secretary of Nova Scotia, dated the 31st March, 1886.

That without the granting of such concessions it is impossible to carry out and complete the scheme of consolidation of the said railways, passed unanimously by both Houses of the Legislature of Nova Scotia, or to raise the capital required.

That in order to enable the financial arrangements for raising the capital to be proceeded with, it is necessary that the rights and privileges of the Company to such concessions should now be settled and defined, and that the representative of the Joint Stock Association is now here for that purpose, and that your Petitioners only await the conclusion of an agreement with the Government of Canada to proceed to acquire the railways and to raise the capital for the immediate carrying out of the undertaking.

That your Petitioners therefore pray that an agreement may be now entered into between the Government of Canada and the Halifax and Great Western Railway Company, whereby that Company shall become entitled to the concessions which the Government of Canada in the documents above referred to has expressed its willingness to grant under certain conditions, that is to say;

(a) That upon the acquisition by the Government of Nova Scotia or by the Company of the Windsor and Annapolis Railway, immediate possession of the Windsor Branch shall be given to that Government or to the Company as their assignees, under an agreement for operating purposes on the same money basis as that now existing, that is, one-third of the gross receipts to be paid over to the Dominion Government, who shall continue to maintain the line as at present.

(b) That upon the acquisition by the Company of the Western Counties Railway, and upon the completion of that Railway by the construction of the unfinished portion between Digby and Annapolis, by the Company, the Windsor branch shall be surrendered in fee simple to the Nova Scotia Government or to the Company as their assignees.

(c) That upon the acquisition of the Windsor and Annapolis Railway by the Government or the Company an agreement for running powers over the Intercolonial Railway, between Windsor Junction and Halifax, shall be granted to the Company upon the same terms as those now enjoyed by the Windsor and Annapolis Railway Company for a term of 21 years with powers of renewal.

(d) That an agreement shall be entered into with the Company for the granting to them of the subsidy of \$64,000, provided by Chapter 8 of the Acts of the Parliament of Canada, passed in the year 1884, and of any further subsidy granted or hereafter to be granted by the Dominion of Canada towards the building of the Line between Digby and Annapolis.

Your Petitioners humbly represent that upon the acquisition by the Company of the Windsor and Annapolis Railway and of the Western Counties Railway, with all their rights, privileges and franchises, the conflicting claims to the Windsor Branch will be brought into one hand, and that the requirements of the Act, chapter 8 of 1884, as to release of claims will thus be fulfilled.

Your Petitioners further pray that the Government of Canada will be pleased to recommend to the Parliament of Canada, during the present Session, that the period for commencing the construction of the railway from Digby to Annapolis, fixed by chapter 8 of the Acts of 1884 may be extended to the 1st of January, 1887, in order to give sufficient time for maturing the engineering plans and designs of the important bridges upon that line which would have to be submitted for the approval of the Government.

And your Petitioners further pray that the Government of Canada will be pleased to recommend to the Parliament of Canada during the present session such legislation if any, as may be necessary to carry out the prayer of this memorial.

And your Petitioners as in duty bound will ever pray.

The Halifax and Great Western Railway Company, by their Agents,

(Sd) R. GERVASE ELWES,  
M. Inst. C. E.  
C. A. SCOTT.

The Joint Stock Association, Limited, by its Attorney,

R. GERVASE ELWES,  
M. Inst. C. E.

RUSSELL HOUSE, OTTAWA, May 21, 1886.

[Appendices B and C not reprinted.]

## APPENDIX D.

**Nova Scotia Railways.***Memorandum as to the Western Counties Railway Company, and the Consolidation Scheme.*

Some misapprehension has arisen as to the recent legislation by the Government of Nova Scotia with reference to the Western Counties Railway Company, and statements have been made in the public press and elsewhere as to that legislation, which are far from correctly representing the case.

It has been said that the Government passed their railway measure without consulting the views or interests of the Company. The facts are, however, that negotiations have been going on since January last between the undersigned and the representatives of the Western Counties Railway Company, as to the terms upon which an amicable transfer of the undertaking with all the rights and privileges of the Company should be effected, and that an understanding was arrived at before the Bill was introduced, so that the President and one of the Directors of the Western Counties Railway joined the new Company. The undersigned believe that those terms will be ratified by the majority of the bond and shareholders of the Company and have requested the Directors to call a general meeting of all interested to accept or reject the proposals made. It is believed that the opposition represents only a small section of bondholders, hoping thereby to get terms which are impracticable under the circumstances, and it is submitted that this opposition should not be allowed to obstruct a scheme, beneficial not only to the holders of bonds and shares, but to the whole of the Western Counties of Nova Scotia and the Province generally.

It has been alleged that the Government of Nova Scotia have legislated away the property and rights of the Western Counties Railway Company without the knowledge or consent of the Company. The "Railways Aid and Consolidation Act, 1886," authorizes but in no way compels, the Directors to transfer the undertaking of the Company to the Halifax and Great Western Railway Company, upon terms to be approved by a majority of the persons entitled to vote (which includes all bondholders in arrears of interest) at a meeting specially called for the purpose. Further, the same Act authorises a certain sum to be set aside out of the funds to be raised under the Provincial guarantee for the amicable acquisition of the Western Counties Railway, but does not compel the Company to accept the same. This can hardly be accurately described as legislating away the property and rights of the Company without its knowledge or consent. It has been said that the Government of Nova Scotia arbitrarily fixed an inadequate price to be paid for the whole of the Company's property, including its interest in the Windsor Branch. But the Government has fixed no price at all, adequate or otherwise. The Act fixes the contribution which may be given towards any price mutually agreed, out of the funds raised under guarantee, as the Government had a perfect right to do, but it has neither fixed any total price nor compelled the Company to accept any. If no amicable arrangement be arrived at, the Railway is to be sold under the powers of the mortgage for what it will fetch, according to agreement.

The Government of Nova Scotia are first mortgagees of the Western Division of the Western Counties Railway and have power under their agreement to sell the Railway if the Company should make default. This contingency has occurred, and the Government of Nova Scotia have agreed with the Joint Stock Association that failing an arrangement for amicable acquisition they will put in force their powers under the mortgage, but as this agreement was voluntary and meant to be carried out, the exercise of the powers conferred by it can hardly be a grievance.

It appears to be contended that an attempt has been made, or is contemplated, to interfere by legislation with the rights of the Western Counties Railway Company, if they have any, to the Windsor Branch. But a reference to the Act above quoted, and the agreement annexed thereto will shew that all that is stipulated is, that when the undertaking of the

Western Counties Railway Company with all its rights, privileges, etc., including of course any interest the Company may have in the Windsor Branch, has been acquired by the New Company, and when they have completed the "link" from Digby to Annapolis, and have acquired the Windsor and Annapolis Railway, *then* they shall become entitled to the Windsor Branch. The rights and interests of the Western Counties Railway Company to the Windsor Branch, if any exist, are in no way altered.

The actual position of the Western Counties Railway is this: The Government of Nova Scotia hold a first mortgage upon the Railway for the sum of £55,000 with about six years arrears of interest and have power under an agreement with the Company to sell the Railway to recoup themselves. It is certain that if sold, it would not produce anything like the amount due to the Government. But the Government have very liberally offered to waive their lien for this large amount to enable the A debenture holders, who would otherwise get nothing, to receive a sum of \$100,000 out of funds raised under the guarantee. The new Company has offered out of its own funds and stock to provide some further compensation to those local parties who have supplied their own money to assist the enterprise. These offers are conditional upon the Company agreeing to an amicable transfer of its undertaking and interests. If these liberal offers are refused neither the Government nor the new Company can be blamed if they fall back upon their strict legal rights under existing agreements.

On behalf of the Halifax and Great Western Railway Company,

R. GERVASE ELWES,  
*M. Inst. C.E.*

C. A. SCOTT,  
*M. Am. Soc. C.E.*

OTTAWA, MAY 27, 1886.

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## APPENDIX E.

*Copy of a Report of a Committee of the Honorable the Privy Council, approved by His Excellency the Governor-General in Council, on the 9th June, 1886.*

On a memorandum, dated 3rd June, 1886, from the Minister of Railways and Canals, submitting an application from the Western Counties Railway Company for such assistance in the construction of the section of railway between Annapolis and Digby as will enable them to complete this link between their existing road and the railway system of Canada.

The Minister observes in this connection that owing to legal complications arising out of the grant to the Windsor and Annapolis Railway Company of a lease of the Windsor Branch Railway, the Government are precluded from giving possession to the Western Counties Railway Company of that Branch as was contemplated by arrangements entered into some years ago, and that this Company have entered suit in equity against the Government for damages suffered, as they allege, in consequence.

The Minister considering that the construction of this link between Annapolis and Digby is important to the traffic of the Province, and in view of the position of the Government and the Company in respect of the Windsor Branch as aforesaid, suggests that Parliament be asked at its next session to grant an annual subsidy to the Western Counties Railway Company, to continue in force until the Government give them possession of the Windsor Branch, provided that they withdraw their suit against the Government and give discharge in full of all claims.

This arrangement, however, to be adopted only in the event of the failure of the Nova Scotia Government to carry into effect its now proposed Railway Consolidation scheme.

The Committee concur in the foregoing report and submit the same for Your Excellency's approval.

Certified. (Signed) J. J. MCGEE,  
*C. P. C.*

## APPENDIX F.

*The Hon. J. H. Pope, Minister of Railways and Canals:*

OTTAWA, AUGUST 27TH, 1886.

### **Nova Scotia Railways.**

SIR:—

I have now the honour to submit to you the following documents:

"The Railways Aid and Consolidation Act," 1886, of the Legislature of Nova Scotia.

Charter granted by the same Legislature to the "Halifax and Great Western Railway Company."

Printed memorandum of this date, explaining briefly the history, nature and objects of the scheme, and the assistance solicited from the Government of Canada.

I am instructed respectfully to request that these documents may be laid before the Honorable the Privy Council, and that the Council will be pleased to recommend that an agreement may be entered into with the "Halifax and Great Western Railway Company," to the following effect:—

- (a) That upon the acquisition by the Government of Nova Scotia or by the Company of the Windsor and Annapolis Railway, immediate possession of the Windsor Branch shall be given to that Government or to the Company as their assignees, under an agreement for operating purposes on the same money basis as that now existing, that is one-third of the gross receipts to be paid over to the Dominion Government, who shall continue to maintain the line as at present.
- (b) That upon the acquisition by the Company of the Western Counties Railway, and upon the completion of that Railway by the construction of the unfinished portion between Digby and Annapolis by the Company, and upon the delivery of the release of claims hereinafter mentioned, the Windsor Branch shall be surrendered in fee simple to the Government of Nova Scotia, or to the Company as their assignees.
- (c) That upon the acquisition of the Windsor and Annapolis Railway by the Government or by the Company, an agreement for running powers over the Intercolonial Railway between Windsor Junction and Halifax shall be granted to the Company upon the same terms as those now enjoyed by the Windsor and Annapolis Railway Company, for a term of 21 years, with a power of renewal.
- (d) That the Government of Canada will recommend to the Parliament of Canada, at their next session, to grant to the Halifax and Great Western Railway Company, in lieu of the subsidy of \$64,000 granted in 1884, a subsidy of \$4,400 per mile, not exceeding in the whole the sum of \$375,000, for the Railway from Yarmouth to Annapolis, such subsidy to become payable when the Company shall have lodged with the Government of Nova Scotia the sum of \$600,000 for the purpose of building the Railway from Digby to Annapolis, and when the Company or the Government of Nova Scotia have obtained from the Western Counties Railway Company and delivered to the Government of Canada the release of claims provided for in Chap. 16 of the Acts of the Parliament of Canada for 1882.

For the circumstances and grounds upon which these concessions are asked for I beg respectfully to refer to the accompanying printed memorandum. The object for which the increase of subsidy is requested is to assist the Company in carrying out the conditions laid down for the transfer of the Windsor Branch, especially the obtaining of a release of claims from the Western Counties Railway Company.

I have the honour to be, Sir, your most obedient servant,

R. GERVASE ELWES,  
M. Inst. C. E.

On behalf of the Halifax }  
and Great Western }  
Railway Company. }

APPENDIX G.

**Western Railways of Nova Scotia.**

MEMORANDUM ON PROPOSED CONSOLIDATION.

These Railways comprise :	M.
The Windsor Branch.....	32
The Windsor & Annapolis Ry.....	84
The Annapolis-Digby Section, not yet constructed.....	19
The Western Counties' Ry.....	67
	<hr/>
	202

The Windsor Branch was built out of Provincial funds before Confederation, and at Confederation became the property of the Dominion.

The Windsor and Annapolis and the Western Counties' Railways were built by private companies, aided by subsidies from Provincial revenues to the extent of \$1,768,774, and some Municipal subventions.

After Confederation the Dominion Government agreed to utilise the Windsor Branch as a bonus towards the completion of a railway from Annapolis to Yarmouth.

In 1871 the Windsor Branch was leased to the Windsor and Annapolis Railway Company.

In 1873 the Western Counties' Railway Company applied for the Windsor Branch as a bonus and asked that possession might be given to them at once without waiting for the completion of their Railway.

In 1874 an Act (chap. 16) was passed authorising such transfer.

In 1877 an agreement was entered into between the Government of Canada and the Western Counties' Railway Company for handing over the Branch, subject to a condition that if the Railway from Yarmouth to Annapolis was not completed by Oct. 1, 1879, the Branch should revert to the Government of Canada.

In pursuance of this agreement the Branch was handed over; but the Windsor and Annapolis Company took legal proceedings under their lease to recover possession. The Western Counties' Company failed to complete their Railway before the date fixed, and the Imperial Privy Council declared the Windsor and Annapolis Company entitled to possession of the Branch, which was eventually restored to the latter Company.

In 1882 a Charter was granted by the Legislature of Nova Scotia to the "Nova Scotia Railway Company," for the purpose of acquiring, completing and consolidating certain Railways in Nova Scotia, including the Western Railways above mentioned.

In 1882 an Act (Chap. 16) was passed by the Parliament of Canada (to which particular attention is invited) reciting the past transactions in respect of the Windsor Branch, authorizing the Governor in Council to terminate the lease of the Branch to the Windsor and Annapolis Railway Company, whenever the Government of Nova Scotia shall have exercised its reserved right to assume the ownership of that Railway, and providing that the Governor in Council may in such case transfer the absolute ownership of the Branch to the Government of Nova Scotia, subject to two conditions precedent.

First, that the section of Railway from Digby to Annapolis shall have been previously completed.

Second, that the Government of Nova Scotia shall have obtained and delivered to the Government of Canada a release, by the Western Counties Railway Company, of all claims in respect of the Windsor Branch.

It is certain that if the Government of Nova Scotia exercised their powers to acquire the Windsor and Annapolis Railway, the owners of that line would claim compensation not only for their own railway proper, but for their loss of profits from the lease of the Branch.

The net result is that, whoever undertakes the completion of the Railway from Yarmouth to Annapolis, instead of receiving as was intended, the Windsor Branch gratis, would have first to pay the Windsor and Annapolis Company (if they established their contention) the value of their beneficial lease; and secondly, to pay the Western Counties' Railway Company sufficient compensation to induce them to grant the release of claims required by the Government of Canada which together would probably amount to nearly as much as the Branch is worth.

It is upon these, among other grounds, that application is made to the Government of Canada for some assistance in lieu of the value which has been subtracted from the bonus of the Windsor Branch by the above circumstances.

Returning to the past history of these Railways, it appears that in 1879 the Western Counties' Railway Co., being in difficulties, entered into an agreement with the Nova Scotia Government, whereby the latter guaranteed interest on a loan of £55,000, taking as security certain bonds and also a first mortgage of the Railway, with a provision that if default were made in the interest, the principal should become payable, and the Government should have power to sell the railway, and the bonds, to protect themselves. Default has been made from the first and there is now due to the Government of Nova Scotia, including arrears of interest, about \$375,000.

The promoters of the "Nova Scotia Railway Company" of 1882 failed to float their scheme, and in 1884 the Government of Nova Scotia issued advertisements inviting proposals for the completion and consolidation of the Western Railways. The Government of Nova Scotia had powers to acquire the Windsor and Annapolis Railway under the Charter of that Company, powers to sell the Western Counties Railway under the mortgage above mentioned, and a claim to the transfer of the Windsor Branch under the Act 16 of 1882, aforesaid. The Government proposed to place these interests at the disposal of the persons whose offer might be accepted.

Proposals were received from many sources, including the Windsor and Annapolis Company, the Western Counties' Company, and Mr. E. W. Plunkett. After long negotiations, extending to December, 1885, an offer from the Joint Stock Association, Limited, of London, was provisionally accepted, and an agreement was signed by the Government of Nova Scotia with the Association, May 4, 1886, of which the following is an abstract:—

The Association undertook to organize a Company and to raise the capital required, under a penalty of £5,000, deposited at the signing of the agreement.

The principal obligations imposed upon the Company were:—

- (a) To acquire the Windsor and Annapolis and Western Counties' Railways.
- (b) To build the "missing link" from Digby to Annapolis.
- (c) To place the whole of the lines in a thorough state of efficiency and work them as a consolidated undertaking.

- (d) To repay to the Government of Nova Scotia \$1,350,000 on account of subsidies previously granted by that Government to those Railways.

The principal obligations undertaken by the Government of Nova Scotia were :—

- (a) If called upon to do so, to exercise its powers for the acquisition of the Windsor and Annapolis and Western Counties' Railways.
- (b) To grant the Company the land subsidies promised to the Western Counties' Company.
- (c) To give up its rights to the Windsor Branch.
- (d) To guarantee a minimum net revenue of £40,000 per annum for twenty years.
- (e) To refund to the Company any balance of the fund of \$1,350,000 not expended in meeting the guarantee.
- (f) To indemnify the Company against any claims in respect of the £55,000 of guaranteed bonds of the Western Counties' Railway Company.

The obligations undertaken by the Company are conditional upon the granting of the following concessions by the Government of Canada :—

- (a) Running powers over the Interecolonial Railway from Windsor Junction to Halifax, on terms not less favorable than those now enjoyed by the Windsor and Annapolis Company.
- (b) The subsidy of \$64,000 granted by Chapter 8 of the Acts of the Parliament of Canada, 1884.
- (c) A lease of the Windsor Branch from the date of acquiring the Windsor and Annapolis Railway to the completion of the Digby-Annapolis link, on terms not less favorable than those of the present lease.
- (d) A binding agreement for the absolute transfer in fee simple of the Windsor Branch upon the completion of the "missing link."

By an Order-in-Council of Jan. 15, 1886, communicated to the Government of Nova Scotia in the Hon. Mr. Chapleau's letter of Jan. 19th, and in a despatch from the Hon. Minister of Railways, dated March 31st, the Government of Canada expressed their willingness to grant these concessions, under certain conditions, especially the release of claims to be obtained from the Western Counties' Railway Company.

The agreement of May 4th, 1886, was ratified by the Legislature of Nova Scotia, and a Charter was granted to a Company under the title of the "Halifax and Great Western Railway Company" to carry out the scheme.

Application is now made to the Government of Canada on behalf of the Halifax and Great Western Railway Company for an agreement embodying the above concessions, and also for assistance in the shape of an increased subsidy, which assistance is asked for upon the following grounds :—

First, that whereas it was intended that whoever should complete the Railway from Annapolis to Yarmouth should receive the Windsor Branch as a free bonus, the Company will only receive that bonus subject to the purchase of the lease from the Windsor and Annapolis Company, and to the purchase of a release of claims from the Western Counties' Company, which together will cost over a million dollars, and it is reasonable that the Government of Canada, under all the circumstances, should contribute a moderate portion of this amount.

Secondly, that the claims which the Company are required to buy up are claims arising out of past transactions of former Governments of Canada, and it does not seem equitable to lay the burden of such purchase either on the Provincial Government or upon the Company.



Thirdly, that the Province of Nova Scotia has already contributed \$1,768,774 in subsidies towards this system of Railways, in addition to the debt of about \$375,000 to be taken over by the Province under the present scheme, while the Dominion Government has granted no aid except the small subsidy of \$64,000 before mentioned; and that the value of the bonus offered in the shape of the Windsor Branch is almost nullified by the conditions of purchase from the two Companies annexed thereto.

Fourthly, that this is a trunk line forming the main Railway communication for the Western half of Nova Scotia, and that there is scarcely any other Railway of equal importance, or any equally large body of population, which has not received some assistance in subsidies from the Dominion Government, except where the Railways were constructed before Confederation.

Fifthly, that the Company is proposing to raise in England a sum of about four million dollars for railway purposes in Canada, and that they may reasonably look to the Government of Canada for some moderate encouragement to introduce a large capital into this country.

The financial plan of the Company is as follows:—

It is proposed to issue perpetual debenture stock, carrying the guarantee of the Government of Nova Scotia to the extent of £40,000 per annum for 20 years. This should produce somewhat more than \$4,000,000. Taking that amount as a minimum the distribution will probably be as follows:—

Purchase of Windsor and Annapolis and Western Counties' Railway (exclusive of claims of the latter as to Windsor Branch) say . . . . .	\$1,400,000
Construction of section Digby to Annapolis . . . . .	600,000
Repairs to Western Counties Railway . . . . .	200,000
Repairs to Windsor and Annapolis Railway and Windsor Branch . . . . .	250,000
Wharves, additional rolling stock and margin for contingencies . . . . .	200,000
Payable to Government of Nova Scotia . . . . .	1,350,000
	\$4,000,000

With regard to the risks incurred by the Government of Nova Scotia, a memorandum will be found at page 137 of the Nova Scotia Blue Book, "Western Railway Consolidation," 1886, upon the probable traffic earnings and working of the guarantee, in which it is shewn that taking the very small annual increase of 2 per cent. upon existing traffic and liberal allowance for working expenses, the fund of \$1,350,000 repaid to the Government will yield if invested at 4 per cent., sufficient to meet the guarantee for twenty years, and leave a surplus of \$353,497 at the end of the term. Reasons are given in the same paper for anticipating a much larger rate of increase, and the promoters of the undertaking look for their profits to the surplus revenue arising in the future, after payment of the interest on the debenture stock.

In conclusion, it is desired to point out that this matter is one which has occupied the attention of successive Governments, both of the Dominion and of Nova Scotia, for many years past as an urgent public want. The Western Counties' Railway Company has failed to complete its line, and has sunk into a financial condition of embarrassment, yearly increasing, which is now hopeless of amendment. The Windsor and Annapolis Company, after negotiations, has failed to make any proposals which the Local Government were able to accept; and the present scheme is the outcome of long enquiry by the Local Government in every probable quarter as the most practical and favorable offer. It passed both Houses of the Local Legislature unanimously, and now only requires a moderate encouragement from the Government of the Dominion to be carried to success.

The Directors hope that such encouragement will not be refused, and that they will be enabled to settle this long vexed question in a manner satisfactory to all parties and advantageous to the public interest.

Respectfully submitted,

On behalf of the Halifax  
and Great Western  
Railway Company. }

R. GERVASE ELWES,  
M. Inst. C. E.

NOTE.—The following persons are those incorporated by the Charter:—

DIRECTORS.	J. W. JOHNS, M. P.,	London.
	R. J. PRICE, Barrister-at-Law	"
	B. DE C. NIXON,	"
	F. T. PIGGOTT, Barrister-at-Law,	"
	W. ECKERSLEY, M. Inst. C. E.,	"
	H. H. FULLER, Merchant,	Halifax.
	W. ESSON, Merchant,	"
	ADAM BURNS, Merchant,	"
	HON. L. E. BAKER, Shipowner, Yarmouth.	
	G. WELLS OWEN, M. Inst. C. E.,	London.
	A. W. WATSON, Merchant,	"
	R. G. ELWES, M. Inst. C. E.,	"
JACOB BINGAY, Shipowner, Yarmouth.		
JOHN S. MACLEAN, Merchant,	Halifax.	
EDWARD FARRELL, M. D.,	"	
C. A. SCOTT, M. E.,	Quebec.	

OTTAWA, August 27th, 1886.

## APPENDIX H.

[Copy.]

### Department of Railways & Canals,

OTTAWA, Nov. 30, 1886.

Sir,—

The Minister of this Department directs me to inform you that he has had under consideration the proposition made by you on behalf of the Halifax and Great Western Railway Company (incorporated by an Act of the Province of Nova Scotia in 1886), having in view the consolidation of railway lines in Nova Scotia, the assumption by the Company named of the Windsor Branch Railway as assignees of the Nova Scotia Government, the completion by them of the road between Digby and Annapolis, and the obtaining of running powers from the Dominion Government over the Intercolonial Railway between Windsor Junction and Halifax. The scheme contemplating a subsidy of \$375,000, to be granted by Parliament for the purpose of aiding the construction of the unfinished portion of the road, such subsidy to be in place of the subsidy of \$64,000 granted in 1884. The Company undertaking to obtain the release of all claims of the Western Counties Railway Company provided for in Chap. 16 of the Dominion Acts of 1882.

In reply I am to say, that at the very outset of the matter, the Minister is met by a feature of your proposition to which it is not practicable for him to give acquiescence, namely, the condition that Parliament should be asked to increase the subsidy for the unfinished part of this road from \$64,000 to \$375,000. If it be essential to your scheme that this increase be allowed it is, I am to say, useless to discuss the matter further.

Should the Company, however, decide to content themselves with the amount of the subsidy already authorised, the Minister will be glad to discuss such further details of the proposition as you may desire to submit. He would, at the same time, be glad to ascertain from you how it is proposed by your Company to deal with the claims of the Western Counties Railway Company in the present aspect of affairs, so as to obtain that settlement to which your proposal looks forward.

I am, sir,

Your obedient servant,

(Signed,) A. P. BRADLEY,  
Secretary.

## APPENDIX K.

THE HONORABLE J. H. POPE,  
*Minister of Railways and Canals.*

RUSSELL HOUSE,  
OTTAWA, Dec. 4, 1886.

SIR,

*Western Railways of Nova Scotia.*

I have the honor to acknowledge your secretary's letter of Nov. 30th, in reply to mine of August 27th, 1886.

1. I would respectfully point out that the subsidy asked for was not intended to be allocated to the unfinished portion of railway from Digby to Annapolis alone, but to the whole road from Yarmouth to Digby as well, which has never been finished, though opened for traffic, and requires an expenditure of about \$200,000 to complete it properly.

2. The proposition for an increase of the subsidy, to be applied towards the obtaining of a release of claims which the Western Counties Railway Company are prosecuting against the Dominion Government for the failure of the latter to effectuate the transfer to the Company of the Western Branch, was put forward to meet the views of Ministers expressed in the House of Commons, and in consequence of the Dominion Government having so far recognized these claims as to grant the Order in Council of June 9th last, by which they promised that in the event of our scheme failing to be carried into effect, the Dominion Government would assist the Western Counties Railway Company to complete their railway by a certain annuity, which virtually represents compensation for the aforesaid claims.

3. The Honorable the Minister of Finance expressed in Parliament the desire of the Government that our scheme for consolidation should be carried out, provided that justice be done to the Western Counties' Company and to the Municipality of Yarmouth. It appeared on enquiry that no serious complaint was made of the arrangements for the purchase of the existing railway under our scheme, so far as the actual commercial value of the undertaking itself was concerned, but that the justice demanded by the Western Counties' Railway Company was in fact the payment by the Dominion Government of compensation for the losses entailed upon them by the failure of that Government to convey to them a good title to the Windsor Branch.

4. It has been taken for granted that the Dominion Government would naturally grant any reasonable facilities to a scheme which has so long been one of the chief wants of the Province; and also that they would not desire to throw upon the Province the payment of damages for a failure in legislation of a previous Dominion Government, which again arose out of the inadvertent alienation by a former Dominion Government of the valuable aid agreed at Confederation and subsequently resolved by Parliament to be given, or rather restored, to the Province for the completion of her railway system.

5. Further, it was considered, that as the aid contemplated by the Order-in-Council of June 9th, to be effectual, must at least approach half a million dollars, and would not accomplish consolidation, one of the objects specially aimed at by the Province, the Government of Canada would naturally prefer a plan by which a considerably less expenditure would enable all reasonable claims to be met, the lines to be completed, and consolidation carried out. With this view the scheme in question was propounded, and after the assent of the Western Counties' Railway Co. and nearly all the bondholders in this country, as well as of the Local Government, had been obtained, it was submitted to the Government of Canada.

6. I regret that the proposal has not met with the approval of the Government, but as I am not aware of the nature of the objections entertained to it, I am not in a position to attempt to meet them. The proposal for the increase of the subsidy was not essential to our scheme, though it was considered the readiest and most satisfactory way of meeting some of the difficulties to be encountered.

7. I beg respectfully to point out that as regards the other matters in which the concurrence of the Government of Canada was requested in our memorial to His Excellency the Governor-General in Council, of May 21st, 1886, and in my letter to your address of August 27th last, we have not at present been favored with any reply.

8. With regard to the manner in which it is proposed to deal with the claims of the Western Counties Railway Company, as the method proposed by us for settling these claims through the medium of our Company has been declined by the Government of Canada, it will be necessary for us to consult the Government of Nova Scotia, to whom I will submit the correspondence. At present the legislation of the Local Government has not, I understand, received the assent of His Excellency the Governor-General in Council, and I would respectfully urge that this should be expedited as much as possible.

I have the honor to be, Sir,

Your most obedient servant,

(Signed) R. GERVASE ELWES,  
*M. Inst. C. E.*

On behalf of the Halifax }  
and Great Western }  
Railway Company. }

THE HON. J. H. POPE,

Minister of Railways and Canals,  
Ottawa.

HALIFAX, N. S., Dec. 17th, 1886.

SIR,—

*Consolidation of Western Railways.*

Having laid before the Directors of the Halifax and Great Western Railway Company the correspondence ending with your Secretary's letter of Nov. 30th last, to my address, and my reply thereto, dated 4th inst., I am instructed now to submit to the Government of Canada the views of the Directors with regard to the point upon which you have asked for information, viz., the manner in which it is proposed to deal with the claims of the Western Counties Railway Company upon the Government of Canada in respect of past transactions between them in connection with the Windsor Branch.

2 In the first place, however, the Directors desire to clear up two points in connection with the Consolidation Scheme, as to which they fear some misconception exists in the minds of Ministers. The first is the adequacy of the provision made by the scheme to cover compensation for these claims without aid in any shape from the Government of Canada, and the second is the amount of public assistance which will be received by our Company towards carrying out their undertaking.

3. Upon the first head it is obviously inexpedient for the Directors to make public the details of the figures upon which their calculations have been based, in view of the negotiations they may have to carry out, but those figures have been laid before the Local Government, and also before Dominion Ministers, confidentially, and it has been shewn that the sums provided, after setting apart the amounts estimated as necessary for the acquisition of the Windsor and Annapolis Railway, for the deposit of \$1,350,000 to be made with the Local Government, for the construction of the "link," and for putting the whole of the existing railways into a proper state of repair, will not allow, even if the Company had been willing to undertake such a burden, of the payment of such compensation for the claims as would induce the Western Counties Railway Company under present circumstances to grant a release.

4. The Directors would not have deemed it necessary to press this point, but for the circumstance that remarks were made in the House of Commons last session on behalf of the Government, which seemed to overlook the obligations undertaken by the Company in regard to the purchase of the Windsor and Annapolis Railway and the other matters above referred to, and which might be superficially construed to imply that the Company were being assisted by the Local Government to raise some four millions of dollars merely to make eighteen miles of railway, and that out of such abundant resources they could amply afford to defray the claims of the Western Counties Railway Company.

5. The second point which the Directors desire to clear up is the amount of assistance which the Company is actually to receive from public sources towards their undertaking. It seems to be the impression in some quarters that the Company is to be "largely subsidized," that it is to receive the Windsor Branch, which cost two millions, and is said to be worth a million, for nothing, and also a grant from the Local Government of a guarantee equivalent to an actual annuity of \$100,000 a year, besides a release of the debts due to the Local Government from the Western Counties Railway Company.

6. With regard to the Windsor Branch, however, the Company, if the acquisition of the existing railways is carried out by voluntary purchase and sale, will have to pay the full value, and perhaps more than the full value, of that Branch, and the only direct benefit which the Company will receive, at least for 27 years to come, is the annuity representing the difference between the rental now paid to the Dominion Government and the cost of maintenance.

7. As to the guarantee which was spoken of in Parliament by Hon. Mr. McLelan as a grant from the Local Government of \$100,000 a year for 20 years, it has been the basis of the negotiation throughout, as between the Local Government and the Company, that this guarantee should bear such a relation to the net earnings of the line, estimated upon the most cautious scale, as to practically involve the Provincial Treasury in no liability whatever. A

portion of the annual amount is absolutely secured by a money deposit; a further portion is secured by a deposit of \$500,000 first debenture stock, thereby mortgaging to the government about one-tenth of the whole property of the company, and the remainder is amply secured by the net earnings which latter are either to arise from the expenditure of capital in new works and improvements, or from the existing receipts of the railways the Company is to purchase, and pay for. Since this annual income has to be paid for in one of the two modes indicated, and arises out of the undertaking itself, it is not a gift or subsidy from the government. While eminently useful as an authoritative endorsement of a minimum estimate of earnings the guarantee of the Local Government cannot fairly be treated as embodying any direct financial contribution grant or annuity whatever.

8. The Directors therefore contend that instead of being "largely subsidised," the direct financial aid, the actual cash contribution, the Company is to receive for the completion and consolidation of these railways, aggregating 202 miles, is limited to the following items:—

(a). The Dominion subsidy.....	\$ 64,000
(b). Present value of annuity of, say, \$10,000, representing difference between rental and maintenance of Windsor Branch, commencing on completion of link, say .....	200,000
(c). The difference between the present commercial value of the Western Counties Railway and the sum of \$120,000 to be paid by the Company, say, at the outside, (67 x \$4,000—\$120,000).....	148,000
Total .....	\$412,000

This is about 10 per cent. of the total capital required to be raised.

It is not admitted that the existing Western Counties Railway is really worth \$4,000 per mile in its present condition, but the figures are taken as the outside that could be put forward by the owners themselves with any show of reason.

9. It will appear from the above representations that neither has the Company any surplus funds at its command to meet the claims set up by the Western Counties Railway Company, nor is it receiving from public sources such ample and generous contributions as might be held reasonable excuse for imposing corresponding burdens. On the contrary, if the Western Counties Company were willing to accept in settlement of their claims one-fourth of the amount they are suing for (two millions of dollars), such a settlement by our Company would more than swallow up the whole of the actual pecuniary assistance to be received by the Company from both Governments, as above set forth.

10. The Directors further desire to point out that they have never undertaken to procure this release of claims as a part of their obligations towards the Local Government. On the contrary, clause 23 of the agreement annexed to the "Railways Aid and Consolidation Act, 1886," (N. S.) stipulates on behalf of the Company for an absolute transfer of the Windsor Branch, as soon as the Railway between Annapolis and Digby is completed, without any other condition attached.

11. It was at first expected that the very liberal terms offered for the amicable purchase of the Western Counties Railway under the scheme would be accepted by the owners of that Railway in full of all claims, and an understanding to that effect had been arrived at early in this year; but the very contingency against which the Local Government desired to guard by their application of Dec. 15, 1885, has happened. In their letter to your address of that date the deputation from the Government of Nova Scotia remarked:—

"The Government of Nova Scotia are now acting in concert with the Western Counties Railway Company, and fully expect that the Company will concur in any scheme which may be devised. Nevertheless, it is not expedient that the enterprise should be left in such a position that the Company could, by their refusal to co-operate with the Government, prevent the completion of the work."

12. The Western Counties Railway Directors, finding that the Government of Canada had declined to recommend Parliament to withdraw this stipulation, doubtless saw their opportunity, by simply refusing to grant a release, to obstruct the whole scheme, until either the Local Government or the Company should buy up their claims at their own price. At all events, they withdrew from the understanding, and so brought matters to their present position.

13. The suggestion conveyed in the Hon. J. A. Chapeau's letter of January 19th, that the Government of Canada might be authorized by Parliament to accept the undertaking of the Provincial Government, to hold the Dominion harmless in respect of all such claims, would merely have amounted to transferring the responsibility for these claims to the Local Government, or, through them, to the Company, directly, instead of indirectly.

14. So long as this legislation remains unrepealed, or the dispute between the Government of Canada and the claimants remains unsettled, the intentions of Parliament, embodied in the resolutions of May 23, 1873, and the Act of 1874, that the Windsor Branch should be donated in aid of the completion of the railway cannot be carried out. The Directors have submitted a proposal for the settlement of the dispute which has been declined. They have shewn cause why they should not themselves undertake the burden of these claims, and they have ascertained that the Government of Nova Scotia is not disposed to accept the burden on behalf of the Province. It remains for the Directors to urge the grounds upon which they would ask the Government of Canada to adopt the alternative of repealing the proviso of Act 16 of 1882, as to the procuring of a release.

15. These grounds group themselves under two heads, (a) the nature of the claims in question, and (b) the circumstances under which the proviso, which it is sought to repeal, was imposed by Parliament. As to the first head, on the resolution of Parliament the Government of Canada undertook to convey the fee simple of the Windsor Branch to a Company as a bonus for making a railway from Yarmouth to Annapolis. Owing partly to the inadvertent alienation by that Government of the chief profits of the Branch for a long term to another Company, and partly to defects in the legislation by which it was attempted to carry out the transfer, the legislation failed and much loss was inflicted upon innocent persons who had embarked money in the enterprise. These losses having been caused by the action, however *bona fide* and well intended, of the Dominion Government, that Government, if any one, is responsible for them. A fresh Company is now prepared to buy up and complete the unfinished work of the former Company upon the same terms as its predecessor, viz., the grant of the fee simple of the Windsor Branch, but with an important exception, viz., that the new Company has agreed to take, instead of the unencumbered Railway offered to its predecessor, the same Railway burdened with a beneficial lease to another Company, by which its value is diminished by at least three-fourths.

16. If, under these circumstances, the Government of Canada now, for the first time, suggested that the new Company should, in addition to the burden of the lease, agree to pay to its predecessor the damages due from the Dominion Government, the injustice of such a requisition would, my Directors think, be too obvious to require comment: it would, in their view, be simply, in popular parlance, "robbing Peter to pay Paul." But they have to meet the fact that such a condition was accepted by the Nova Scotia Railway Company of 1882, and embodied in an Act of Parliament. It is therefore necessary to examine the circumstances under which that Act was passed.

17. The Act referred to, Chap. 16, of 1882, was passed in pursuance of an arrangement entered into between the Local Government and the Nova Scotia Railway Company, whereby *inter alia* that Company was to buy the Western Counties' Railway. But assistance was granted to that scheme by the Dominion Government which has not been extended to the present scheme. Among other things, the Dominion Government agreed to accept from the Provincial Government, in connection with that scheme, a deposit of \$2,000,000 at 5 per cent. interest in perpetuity, being 1 per cent. more than the Provincial Government could have obtained otherwise. This annuity of \$20,000 representing a capital value of \$500,000, was in effect a subsidy to the Local Government which enabled them, without cost to the Province, to grant corresponding advantages to the Company, which in its turn was enabled to offer and did offer to the Western Counties Railway Company a sum much in excess of its then commercial value, a sum practically including compensation for the claims under discussion, and sufficient to induce that Company to grant the release required.

18. It appears, therefore, that while imposing this obligation upon the Province, and through the Province, upon the Company of 1882, the Dominion Government simultaneously provided the means of meeting it, as was only fair and right, considering the nature of the claims. Had this bargain been embodied in an agreement only, when the railway scheme of 1882 fell through the proviso would have lapsed with the rest of the arrangement of which it formed part. Unfortunately having been crystallised in an Act of Parliament, it remains as a survival of a compact, of which the substance has ceased.

19. If the Dominion Government were now willing to continue the assistance to which this condition was annexed, and which formed the consideration for the bargain, it would not be unreasonable to adhere to the *quid pro quo*. But the Dominion Government have

declined to grant the smaller subsidy of \$375,000 asked for by this Company, and therefore to insist on the condition attached to the former aid, while withdrawing the aid itself, would be, the Directors represent, manifestly unfair.

20. For these reasons the Directors desire to urge upon the Government of Canada the justice and expediency of their agreeing to recommend Parliament at its next session to amend Act 16 of 1882, by cancelling the proviso as to a release of claims, unless the Government of Canada are willing now to settle these claims directly with the Western Counties Company so as to enable the Local Government to obtain a release of claims in terms of the Act, *pro forma*.

21. The Directors are unwilling to weary the Government with reiterating the general arguments which have already been brought forward, and which have not been controverted, in support of their claim to the encouragement and assistance of the Dominion Government for this enterprise, and would therefore refer to the printed memorandum of August 27th, 1886, submitted to you with a letter from the undersigned of the same date. As the present application amounts to no more than a request that the Dominion Government should remain answerable for any damages for which their action or that of their predecessors may have made them responsible, the Directors can hardly believe that so reasonable a desire, when fully explained and understood, can be refused, while such refusal might seriously delay and hinder the carrying out of the undertaking.

22. The Directors are now prepared to enter into an agreement with the Dominion Government upon the basis of my letter of August 27th last, substituting for the subhead (*d*) thereof, as to subsidy, the following:—

(*d*) That the Government of Canada will recommend to the Parliament of Canada, at their next session, to re-grant to the Halifax and Great Western Railway Company the subsidy of \$64,000 granted in 1884, and to amend Chap. 16 of the Acts of 1882 by striking out that portion of the proviso annexed to clause 2, which relates to the release of claims.

23. As the negotiations with the Dominion Government have already occupied many months, and the Directors are anxious to proceed with the other arrangements incidental to the scheme, I am desired to solicit the early attention of the Government to this matter.

I have the honor to be, Sir,

Your obedient servant,

R. GERVASE ELWES, *M. Inst., C. E.*





