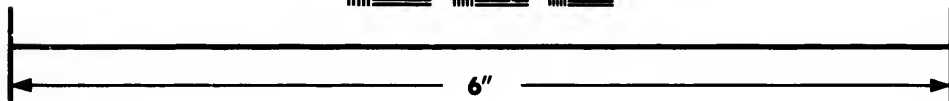
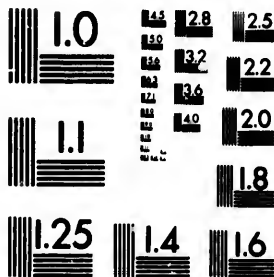


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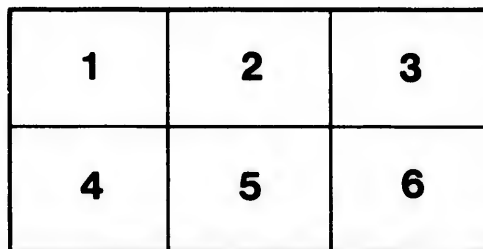
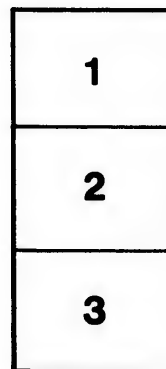
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Grand Trunk Railway of Canada.

LETTER

FROM

MR. BRYDGES

TO THE

POSTMASTER GENERAL OF CANADA.

Canada.

ES

ANADA.

GRAND TRUNK RAILWAY OF CANADA.

MANAGING DIRECTOR'S OFFICE,
MONTREAL, November 26th, 1862.

SIR,

I have the honor to acknowledge receipt of your letter, dated 1st November 1862, transmitting me a copy of your Report, approved by His Excellency the Governor General in Council on the 30th October 1862, on the subject of the payment to the Grand Trunk Company for Postal services, and which has been laid before the Directors of this Company.

Since the receipt of your letter your report has appeared in the public papers, to the great surprise of the Directors of this Company, giving as it does, a merely *ex-parte* statement and thus leading to the formation of opinions which a knowledge of the whole facts of the case would not justify.

The Directors regret this course the more strongly because it is calculated to interfere with that calm and judicial mode of investigation to which the Government has decided that the matter must be submitted, as the only plan by which it can be fairly and justly settled, and because it will have the effect of plunging the Grand Trunk Company's affairs into the arena of party politics, against which policy the party out of which the present Government was formed, has hitherto so earnestly declaimed.

The Bond and Shareholders of this Company, responding to the strongly expressed wish of the people of Canada, have lately done everything in their power to remove from the conduct of their affairs, every semblance of political control, in the confident belief that by such a course they would be promoting the commercial success of the undertaking, and be adopting a course greatly desired by the people of the country through which the railway runs. It cannot be doubted that the publication of an *ex-parte* statement on a matter shortly to be submitted to arbitration must tend to a large extent to defeat, and that by the Act of the Government, the success of the measures lately taken to dis-sever the Grand Trunk Company altogether from political discussions.

Having made these remarks upon the unexpected publication of your report, I am now instructed to express the great satisfaction which the Directors of this Company feel that the question as to the rate which is to be paid for the carriage of mails upon the Grand Trunk Railway is to be settled by arbitration. They have always felt that the matter was one that it would not be either fair or equitable to have settled by the Government alone, who would in such case have to take the most unusual course of deciding the terms upon which it was to have work performed, without reference to its fair value according to the views of those who have to do the work. As the whole matter will therefore soon be referred to a disinterested tribunal which will authoritatively settle the question, it would hardly have been necessary at the present moment, to enter into the facts of the case, had it not been that the publication of your Report makes it imperative upon the Directors to prevent an improper opinion being formed by an *ex-parte* statement of portions of the facts, however strongly they feel that all discussion of those facts should have been reserved for the arbitrators who will have to decide the question.

I must in the first place demur to the opening paragraphs of your Report, in which you entirely discard, in discussing the rate to be paid for Postal services, all the past transactions between the Government and the Company, although you frankly admit that "the Government may perhaps be asked with propriety to take cognizance of these general topics: the Legislature even may be appealed to " fulfil important conditions expressed or implied."

These "general topics" and "important conditions expressed or implied" it now becomes my duty to recapitulate.

The Parliament of Canada as far back as 1849, believed it to be of paramount importance to the progress and welfare of the Country to have a Main Trunk Line of Railway throughout the Province, and on the 30th May of that year, passed an Act, the preamble to which was as follows:—

"Whereas at the present day, the means of rapid and easy communication by Railway, between the chief centres of population and trade in any country and the more remote parts thereof, are become not merely advantageous, but essential to its advancement and prosperity: And whereas experience has shown, that whatever be the case in long settled, populous and wealthy countries, in those which are new and thinly-peopled, and in which capital is scarce, the assistance of Government is necessary and may be safely afforded to the construction of Lines of Railway of considerable extent, and that such assistance is best given by extending to companies engaged in constructing Railways of

" a certain length under charter from and consequently with the approval of the Legislature, the benefit
 " of the guarantee of the Government, under proper conditions and restrictions, for loans raised by such
 " companies to enable them to complete their work."

And the Act then proceeds to enact:

" That the sum on which interest be so guaranteed shall not be greater than that expended by the
 " Company before the guarantee is given, and shall be sufficient to complete their road in a fitting man-
 " ner, and to the satisfaction of the Commissioners of Public Works."

The Parliament and people of Canada were therefore, at that time, so deeply impressed with the
 advantages to be secured to them by a Trunk line of railway, that they were only too eager to find half
 the amount required for its construction.

And the matured convictions of the people and Legislature of Canada were again, after due reflec-
 tions, deliberately recorded six years afterwards, when on the 30th August, 1852, an Act was passed
 the preamble to which runs in part as follows:

" Whereas it is of the highest importance to the progress and welfare of this Province, that a Main
 " Trunk Line of Railway should be made throughout the length thereof."

And the 5th clause of that Act is:—

" And be it enacted, That if the funds necessary for making the Main Trunk Line of Railway
 " mentioned in the next preceding section, shall not be raised by loan under the authority and guarantee
 " of the Parliament of the United Kingdom, or advanced as a loan to this Province, under the said
 " authority, then the said Main Trunk Line of Railway, or so much thereof as shall not be made by
 " funds so raised or advanced as aforesaid, may be made with funds of which one half shall be raised on
 " the credit of the Consolidated Revenue Fund of this Province, provided the other half shall have been
 " subscribed for by Municipal Corporations in this Province."

So momentous, therefore, was it deemed to be to secure the construction of a Main Trunk Line of
 railway, that, in 1849, it was offered to find half the capital by Provincial funds, and, in 1851, that was
 extended so as to permit the municipalities along the line, on their credit, to find the other half. If this
 had been actually carried out, as was then fully intended, Canada would have had to find the whole cost
 of constructing the Grand Trunk Railway solely out of her own resources.

With these enactments on the Statute Book, the Government of 1852-3 finding a very easy con-
 dition of monetary affairs in England endeavored to induce British capitalists to embark in the undertak-
 ing by making great promises as to the extent to which Canada had practically guaranteed a large return
 upon the outlay.

With that view members of the Government proceeded to London, and the result of their negotia-
 tions is to be found in the prospectus of the Grand Trunk Railway of Canada, which was published in
 England in the Spring of 1853.

That Prospectus was prepared and issued under official authority. The following, amongst others,
 were announced as Directors of the Company:

IN LONDON.

THOMAS BARING, Esq., M. P., } Agents of the Province of Canada and Directors of the Com-
 GEORGE CARR GLYN, Esq., M. P., } pany on behalf of the Canadian Government.

IN CANADA.

The Hon. JOHN ROSS, Member of the Legislative Council, Solicitor General for Upper Canada,
 President.

The Hon. FRANCIS HINCKS, M. P. P., Inspector General.

The Hon. E. P. TACHÉ, M. L. C., Receiver General.

The Hon. JAS. MORRIS, M. L. C., Postmaster General.

The Hon. MALCOLM CAMERON, M. P. P., President of Executive Council.

The Hon. R. E. CARON, Speaker of the Legislative Council.

The Agents of the Province, their names being set forth as acting on behalf of the Government,
 and several members of the then Government, and as such, were thus announced as Directors; and it
 was upon the faith of the quasi-governmental character of the undertaking thus established, that the
 Bond and Shareholders in England invested their money in Canada in the construction of the Grand
 Trunk Railway. That Prospectus, so issued, promised 11½ per cent. return upon the Share Capital,
 after paying the interest on the Bond debt.

The Appendix to this Official Prospectus contains the following pregnant paragraph:—" This great
 " and comprehensive scheme of railway communication throughout the most wealthy, populous, and im-
 " portant colonial dependency of Great Britain is not now offered as a new project to the public. It
 " comes with the guarantee of the Province of Canada, which has embarked upwards of two millions
 " sterling in the enterprise; it is supported by the most intelligent, far sighted men in the Colony, and it
 " has the security of nearly half a million sterling of private Canadian capital invested therein." The
 half-million of Canadian capital invested proved, however, to be a myth.

And to complete the official connection of the Government and people of Canada with the incep-
 tion of and promises of profit on the Grand Trunk Railway, an official despatch from Lord Elgin, the

then Governor General of Canada, to the Colonial Office, is printed as a part of the Appendix to the Prospectus. That despatch deals with the question of Railway undertakings, and states the then intention of existing Acts of Parliament to be to provide from Provincial funds *one half of the entire cost of the Line.*

One half of the cost of the line would have been £6,000,000 sterling, involving an annual charge of £360,000, whilst had the Act of 1851 been carried out the whole cost, would have been raised on Canadian credit, with a charge of £720,000 a year.

The actual assistance, however, afforded by Canada, has only reached £3,112,500, costing £186,750 a year.

To the extent that Canada has succeeded in reducing her subscription as authorised by Parliament, to the cost of the Line, have the bond and share-holders suffered, the loss of the latter being complete, without one collateral advantage, whilst Canada not only saved the expenditure of £9,000,000 sterling of British capital in her midst, but has had the value of her farming lands enormously enhanced—the markets of the world thrown open all the year round to her productions—access opened to almost every part of her vast territory—the cost of conveying her productions to market and of distributing amongst her population everything she needs to import, vastly reduced—and in place of being shut up for nearly half the year by frost and snow, Canada has, by means of the Grand Trunk Railway, been made one of the great highways throughout the year for the vast traffic passing between the Western States of America and the Atlantic seaboard.

But what is really the value to the Company of the £3,112,500 which Canada subscribed to secure the enormous advantages to which I have adverted? It may certainly be questioned if more than that sum has not by political pressure been expended in constructing parts of the present Grand Trunk system which though of vast benefit to Canada, are commercially entirely worthless, and only drag upon the profit of the paying portions of the Railway. Thus the abandonment of the interest on the Provincial assistance was accompanied by stipulations of the most stringent character, to compel the completion of a system of lines all the way from Rivière du Loup to Sarnia, subscriptions to subsidiary undertakings not previously in any way charged upon the funds of the Grand Trunk Company, and the complete equipment and efficient working of the whole system thus so greatly enlarged beyond its original limits. And indeed, from the advances made by the Province of £3,112,500, ought in common fairness to be deducted the very large sums, amounting to several millions of dollars, paid into the Treasury for Customs duties for the rails, bridge-work, engines, rolling stock of all kinds, &c., &c., imported during the construction of the line. Altogether it may be said that these obligations collectively have more than ~~been fully met~~ ^{been fully met} what the Bond and Share-holders have derived; and it is not improbable that it would be found peculiarly advantageous, even with all the evil consequences it might involve to the trade of the Province, to close the non-paying portions of the line.

These facts show that the Company are equitably entitled, beyond shadow of doubt, to every assistance which the Government and Parliament can render.

And here it is pertinent to call attention to the fact that Canada, of nearly all the countries in the world, has had her great arterial system of Railways constructed for her at the least expense to the public Treasury. India, possessing a vastly denser population per square mile of area, and from that cause, and the fact that her Railways penetrate districts of country not alongside, but rather at right angles, as tributary to its great water lines of communication, more likely therefore to find her Railways self-supporting, has absolutely guaranteed the interest upon the cost of her Railways. This will involve an annual charge to the revenues of India of not less than £2,500,000 sterling, undertaken, be it remembered, at a period when the financial credit of India was only sustained by large loans in England. Australia is building her Railways by the issue of her bonds. The small colony of Victoria is doing the same, and lately her bonds to the extent of £7,000,000 sterling were sold in England to raise the money to supply her with the facilities of Railway transport. The same plan has been pursued by the Cape of Good Hope. Russia guarantees the interest upon the capital employed in building her system of Railways. Italy is doing the same. France constructed the earthworks of her principal railways, and by her legislation amply protects them from competition. And even poor Brazil both provides some of the cost of her lines, and guarantees the interest on the remainder of the outlay. The State of New York spent a large sum on the Erie Railway and made a present of it subsequently to the Company. The State of Michigan did the same for some of its Railways. It is repeated, therefore, confidently that Canada has secured her railway system on much more advantageous terms than most other countries, whilst from her sparse population and the water competition forced on her Railways she might fairly have been expected to build them solely at her own expense.

I will now proceed to consider the portions of your Report wherein you discuss the rates of payment, to be made for carrying Mails.

You correctly state that the rate of \$110 a mile was agreed upon between the Company and the Government in 1853; but as has frequently been explained that rate was agreed upon when only a section of the Railway, East of Montreal, was opened, and when the only Mail carried upon it was a small local Mail. What is now the main line of the Grand Trunk Railway was not then completed—the Railway was not then, as now, conducting the main postal communications of the country—it was not carrying the large amount of mail matter in connection with the Ocean Steamers to and from Quebec and Portland—

and the Company had not then supplied the vast accommodation to the postal service of the Country afforded by the construction of the Victoria Bridge at Montreal.

Whilst, therefore, the Railway was incomplete, and before the Company had had any experience as to the cost which would be incurred in conducting the postal service, they were prepared to accept, as an experiment, a rate of \$110 a mile. That rate was fixed upon because it happened to be the rate at that time paid by the American Government for carrying their local mails on the line between Portland and Island Pond in the United States. Nothing was carried on that line for the American Government but the local mail of the district; and nothing more is carried for them now, but it is an important fact that this Company is now receiving from the American Government more than it did in 1853, showing that even the natural increase of a mere local mail, in the opinion of other Governments, demands, after a lapse of 10 years, increased remuneration.

Applying the same principle to the vastly increased service now rendered by the Grand Trunk Company for foreign as well as local mails, what should be the rate of payment to us now?

Acting upon the views I have explained, and with a desire to meet in the most liberal manner the requirements of the Government service, the rate of \$110 a mile was asked by this Company in 1853—paid by the Government without demur—and treated by all parties as a mere interim arrangement, to be revised and reviewed when the whole of the Railway and its advantages to the public service were brought into practical operation.

Up to 5th October, 1858, the Company was paid at the rate of \$110, and as the line at that time was not opened throughout, it is not proposed to disturb the settlement to the above date.

The Directors of this Company must, however, entirely demur to the conclusion at which you appear to have arrived, that from October, 1858, to October, 1861, the Company must be taken to have acquiesced in the Government fixing the rate at \$70 a mile, and for the best of all reasons, viz:—that they were never notified of any such proposal. As regards official or documentary evidence, I assert unhesitatingly that there is not one single record to show that the action which it now appears was taken by the Government in September, 1858, was ever communicated to the Company until the early part of the year 1861.

In reply to a letter from the Assistant-Secretary of this Company, enclosing an account for postal services at the rate of \$110 per mile of railway, the Deputy Postmaster-General wrote on the 13th November, 1858, remitting the sum of \$50,000 as a payment on account, and added that he would shortly write again with reference to the rates to be paid for Railway mail service in future.

As is stated in your Report, no subsequent communication was ever received by this Company. I may further remind you of a fact, which the records of your Department will distinctly show, that for a period of nearly three years after the date of the letter of the Deputy Postmaster-General of 13th Nov., 1858, this Company continued regularly to send in accounts for the conveyance of mails at the rate of \$110 a mile, without receiving any intimation that there was any objection whatever to such rate.

I must entirely dissent from the view taken in your report, that although there was no official communication to the Company as to the rate which had been proposed by the Executive Council, yet the fact was well known to the Company, because its President, the Hon. John Ross, was, at the time, President, and the Company's Solicitor, the Hon. Geo. E. Cartier, was also a member of the Council. I am not, of course, so well versed as yourself in the responsibilities of a Cabinet Minister; but I believe it is generally understood that any individual member of a Government would be breaking his oath as an Executive Councillor if he revealed discussions which had taken place in the Council Chamber, or anticipated the action of the proper department of the Government in communicating any decision that had been come to. That the proper Department in this case, did not look upon the question as settled, is abundantly proved by the fact that they never communicated any decision to the Company, and for all practical purposes therefore the order in Council of September, 1858, was in effect a dead letter.

The Directors of this Company submit further, that the fact of one of its Directors being a member of the Council which proposed a certain rate of payment (although there is no evidence given to show that he was present when that order was made) cannot, for a moment, be permitted to take the place of an official communication.

The Directors of this Company think it may fairly be presumed that the President of this Company would naturally feel, from his position as a Director, that it would be undesirable for him to interfere in a matter in which he was placed in a double capacity, and as regards the Solicitor of this Company, it must be perfectly plain that that gentleman, who is not an Executive officer of the Company, would not feel that, as a member of the Government, he had any right whatever to let his legal connection with the Company operate in any way whatever in the discussion. The natural inference would much rather be that those two gentlemen interfered in no way whatever in the matter, but that the Report of the Hon. the Postmaster General was passed, as a matter of course, entirely upon his own responsibility, especially as from the Company being kept in ignorance that the subject was under consideration, they had not laid their case before the Postmaster General or the Government, and had had no opportunity of ever being heard upon the question.

Leaving, however, this point, the fact remains undisputed that no official communication whatever was made by the Government to the Company that the rate of \$110 had been altered—that the Com-

pany continued to send in regularly their accounts at the rate of \$110 a mile, without any demur on the part of the Government to such rate—and that payments after the passing of the order in Council in September, 1858, were made to the Company upon accounts rendered at the rate of \$110 a mile, without any intimation when such payments were made that the Government contemplated paying at a lower rate per mile.

The Directors of this Company submit with great confidence that these facts distinctly show that the Government did not conceive that the order in Council of September, 1858, (arrived at without any intimation to the Company that any alteration was intended—without even giving them an opportunity of laying their views and the facts of the case fully before the Government, and without even communicating for three years to the Company that any such order had been passed) was a final adjudication of the question.

This view is further confirmed by the fact that, when the Company in July, 1860, fell into financial difficulties, an advance was made by the Government of Canada, on account of postal services, to be thereafter rendered, such advance being calculated upon a rate of \$110 per mile.

This was two years after the Order in Council of September 1858; and, if any further evidence is necessary to show that the matter was not considered as of a final nature, it is to be found in the fact that the minute of Council of October 1861, passed by the same Government which existed in September 1858, admitted that the rate then named was inadequate—that it had been protested against by all the railways in the province—and that in view of all the facts of the case, it was desirable to reconsider the question, and refer it to the decision of three disinterested arbitrators.

There is another point in your Report to which I must demur, and that is when you state that the entire amount of indebtedness to the Company at the rate of \$70 per mile, was discharged up to the 31st December, 1860.

This is incorrect as a matter of fact, no payment in cash having been made to this Company for a long time prior to that date; but in the early part of the year, 1861, without any communication to this Company from the Post Office Department, a certain sum was passed by that Department to the Receiver General on account of postal services rendered by this Company.

The transfer so far from being acquiesced in, or considered by this Company as a settlement of its claims, was formally protested against in writing, and the Company continued, after they were aware of the transfer which had been made to the Receiver General, to render their accounts to the Post Office Department at the old rate of \$110 a mile.

No discharge, therefore, of the claim of this Company was made up to the 31st December, 1860; but on the contrary, as soon as it became known that such transfers had been made, formal protests were rendered against the course that had been pursued, and these protests have continued to be made ever since.

I must now proceed to deal with the views which you express as to the proper rate to be paid for the service rendered to the Post Office Department; bitter experience having proved that the rate of \$110 a mile was entirely inadequate, even before the whole line, including the Victoria Bridge, was opened.

The Directors of this Company cannot agree with you that no fair comparison can be made with English Railways.

You admit in one part of your Report that this Railway, which does not enjoy a large and remunerative Passenger traffic, is entitled, therefore, to higher pay than those lines in the United States which do possess a large Passenger traffic. As that argument is unquestionably a sound one, it applies with greater force to England than to America, because in the former country the Passenger traffic is very great and remunerative, and therefore ensures the running of a great many trains daily, of which the Post Office Department can take advantage for the carriage of mails.

In Ireland the Passenger traffic is less than in England, and in the former country the mail service is paid for at rates, on some of the leading lines, as follows:—

	s.	d.	
Drogheda and Dundalk.....	4	0	a mile.
Dublin and Drogheda	2	10½	“
Dundalk and Enniskillen.....	3	2	“
Dublin and Cork.....	2	9	“
Dublin and Galway.....	3	0	“

The average of these is nearly 3s. 2d. a mile.

The average rate of 3s. 2d. a mile paid in Ireland, would give, on the number of miles of Mail trains run on the Grand Trunk Railway, a rate of \$760 per mile of railway, or more than *ten times* the amount suggested by the late Postmaster General.

In no country in the world, perhaps, is the difficulty and cost of working railways in winter so great as it is in Canada, and as this has to be encountered to accommodate a very small amount of Passenger traffic, the payment for carrying Mails should, as you admit, be proportionately increased.

The average receipts of all Passenger trains on the Grand Trunk Railway do not amount to more than 75 cents a mile, whilst the average cost of running the trains is proved by the Company's accounts, to be very nearly \$1 a mile.

The quantity of snow which has to be removed to secure the regular running of the trains carrying mails, involves a very heavy outlay, and the breakage of rails and machinery during winter is exceedingly great and expensive.

The Victoria Bridge at Montreal is also of enormous benefit to the Postal Service, but provided at a ruinous cost to the Company. The outlay upon it was £1,500,000, costing the Company £90,000 a year. In a similar instance in England, where the Menai Bridge, of a much less size and cost, expedites the transmission of mails with Ireland, the British Government pay a special amount of £20,000 a year on account of this Bridge. The Victoria Bridge at Montreal expedites the Mail Services throughout Canada, especially that in connection with the Ocean Steamers, and secures a perfect crossing of the St. Lawrence in the most rapid manner every day in the year.

I need not remind you that at certain periods of the year, before the Bridge was built, the crossing of the river was impossible for many days together.

On this account, the Company is entitled to special payment, as well as on the ground of increased facilities generally, as in the case of the Menai Bridge, for which £20,000 a year is paid by the British Government.

Special carriages are provided, in which the letters are sorted whilst the train is travelling, affording great accommodation to the Post Office Department and increased rapidity in the transmission and delivery of letters.

There are thirty-six of these cars on the Grand Trunk Railway, constructed at a cost of £20,000 sterling; and they are supplied with light and heat at the expense of the Company, the annual outlay on this account being considerable.

One third of the space of each of these cars is appropriated entirely to Post Office purposes.

According to the Report of the Postmaster-General for 1857, there were then upwards of forty clerks specially employed by the Post Office Department to travel in the Post Office Cars to sort and distribute the mails. The fares of these clerks travelling on the Grand Trunk line, calculated at the rates paid by ordinary travellers, would amount to more than half the rate of \$70 a mile, proposed to be paid for the entire service! This one fact is sufficient to show the utter inadequacy of the rate suggested by your predecessor.

These Post Office Cars are run with passenger trains—if used for the ordinary passenger business of the Company, they would accommodate, at least, sixteen passengers, whose fares at the regular rate between Montreal and Toronto, would produce, on that district alone, upwards of \$100,000 a year, or at the rate of more than \$300 per mile of railway per annum.

The use of railways for the transmission of letters and newspapers, has unquestionably been a great public benefit, and has produced an enormous increase in the business and revenues of the Post Office Department.

In the Postmaster-General's Report for year ending 31st of March, 1856, attention is specially drawn to the acceleration of the mails, especially during winter, and a table given shewing, amongst other instances, that whilst in 1853 it took 10½ days to get a letter between Quebec and Windsor, it was in 1856 accomplished in 49 hours.

He then proceeds to say:

"The advantage thus gained between the more distant points, applies also to the reduction of the time occupied in conveyance between intermediate places, and will be shared, in a greater or lesser degree by nine-tenths of the whole correspondence of the Province; for at least that portion of the letters conveyed by mail partake in the benefit of railway transport. Besides this gain in speed, further important advantages are reaped, in the comparative immunity of railway mail conveyance from the irregularities, the damages from exposure to the weather, and other causes of injury, unavoidably incidental to the transport of heavy mail bags by stage or waggon over the ordinary roads of the country, and, above all, in the greater security from robbery or loss whilst *en route*."

In subsequent Reports, the Postmaster-General repeatedly calls attention to the advantages derived from successive openings of the sections of the Grand Trunk line, and in 1859 he says:

"Much of the satisfactory condition of this branch of the service is no doubt attributable to the enjoyment of the advantage of Railway transport for all the mails over all the great leading lines of Post Route,—for the punctuality of movement given by Railway conveyance to the connecting links of mail travel—and the regular delivery secured at all the principal points, by a description of conveyance but little influenced by the variations of weather or of the seasons, as a matter of course greatly facilitate the observance of punctuality in the transport of mails over the country Post Routes, and lead to a comparative regularity in Mail service generally, not attainable in former years.

"The completion of the Victoria Railway Bridge at Montreal, and the western section of the Grand Trunk Railway to Detroit will have a very important influence upon the transmission of the mails over the main route between the two extremities of the Province."

"The superiority given to the Canadian Route as a medium of intercourse with Europe by the essential advantages above noticed, is of course applicable to the acceleration of the European correspondence of the large section of the United States lying west, north-west, and south-west of Canada and the great Lakes,—and, as mentioned in a previous Report, the attention of the United States Government had been called to the consideration of the point, but without any definite result, until the establishment

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"of the weekly voyages of the Canadian Packets throughout the year, and of the completion of the Grand Trunk Railway, and of the Victoria Bridge across the St. Lawrence at Montreal, so as to form an unbroken line from Detroit to Quebec—(and to Portland)—ENABLED THE CANADIAN POST OFFICE TO OFFER ARRANGEMENTS FOR THE TRANSPORT OF MAILS BETWEEN THE UNITED STATES AND EUROPE BY THE CANADIAN ROUTE OF SO ADVANTAGEOUS A CHARACTER AS TO LEAD TO THEIR PROMPT ACCEPTANCE BY THE AMERICAN GOVERNMENT,—and closed mails are now under regular conveyance between Liverpool and Cork on the one side, and Detroit and Chicago on the other, comprising the European correspondence of all the Western, South-western, and North-western States. Mails between the New England States and Europe also pass under this agreement by the Canadian Packets."

Without, therefore, the Grand Trunk Railway and the Victoria Bridge, the Post Office Department has declared that it could not have secured the transit of American mails through Canada, from which the Post Office derives so large a benefit.

The line of Steamers between Quebec or Portland and Liverpool, is paid liberally for the service they perform. Why should the Grand Trunk Railway, which your Department declares indispensable to secure the through mails conveyed by those vessels, be denied fair payment for the important services which it renders, the more especially as the Post Office is deriving a large and increasing revenue from the American letters carried in the trains on the Grand Trunk Railway!

The increased business and revenues derived by the Post Office, owing to the introduction of Railways, is enormous, as the following comparison will shew:—

Year.	No. of Offices.	No. of Letters by Post.	Postal Revenue.
1851	601	2,132,000	\$230,000
1861	1775	9,400,000	683,000
Increase	1174	7,268,000	\$453,000
Per Cent	295	441	297

And yet with this vast and growing increase in the Post Office business, to so great an extent produced by Railways, no adequate remuneration is proposed for the services rendered.

With reference to the remarks in your Report as to the price paid in the United States for Mail service I wholly differ from the views which you have expressed.

I again assert, what has already been stated upon many previous occasions, that the rate of remuneration paid upon American lines is based upon one daily service each way carrying a Distributing Post Office occupying one third of an ordinary Baggage Car, with an understanding between the Post Office Department and the companies that the latter will carry sealed bags in ordinary baggage cars, and without a Post Office attendant, by any other train which the requirements of their passenger traffic may render it their interest to run. But the payment is predicated upon the single daily service each way with a distributing Post Office compartment, and the other accommodation is an incident of the large passenger traffic existing upon the American lines, and from which fact the Post Office Department derives a benefit without any extra payment.

The United States Congress fixed the rates at which Railway Companies should be paid for carrying the mails, and divided the lines into three classes giving the highest or first class lines \$300 a mile of railway, and the lowest \$100 per mile.

I believe a few small branch lines have been paid in the United States at rather less than \$100 per mile.

I have already supplied you with a list of 53 of the leading Railway Companies in 16 of the different States of America, having an aggregate length of 6612 miles of railway, which are paid an average of upwards of \$200 per mile per annum, for service predicated upon a single distributing mail each way daily, the companies undertaking to carry closed bags by any other passenger trains their ordinary traffic may require them to run.

I must demur to your statement that the rate of payment to the New York Central Company between Albany and Buffalo is at the rate of \$173 per mile per annum.

The New York Central Company whose line extends between Albany and Buffalo, a distance as you state of 298 miles, receives an aggregate from the Post Office Department of \$91,550 per annum, which is at the rate of \$307.21 per mile.

It is true that for a portion of the distance they have a double or duplicate line of Railway; but those double lines do not average twelve miles apart, and they accommodate the same district of country, and for all practical purposes the amount paid to the New York Central Company is for the accommodation of a line of country of 298 miles in length, and for which as I have stated they receive an average of \$307.21 per mile. As in all other cases the New York Central run but one distributing mail train over their line each way daily, upon which service the payment is calculated, and they also carry closed bags in their baggage cars by the several other trains which their great passenger traffic requires them to run and of which the Post Office gets the benefit without extra charge.

Taking a careful review of the facts—remembering the paucity of the passenger traffic existing on the Grand Trunk Railway—bearing also in mind the great severity of the climate of Canada adding

so largely to the cost of carrying on the postal service in winter—and further recollecting the great facility afforded by the construction of the Victoria Bridge, which has cost such an enormous amount of money, the Directors of this Company submit that the very highest rate paid upon any trunk line of railway in the United States (all of which are in the enjoyment of a large and remunerative passenger traffic) would be an inadequate scale of payment for the Grand Trunk Railway of Canada.

In regard to the amount which you say I asked for the carriage of mails upon this Railway, amounting to \$360 per mile, you must have forgotten that in the official letter which I addressed to you on 22nd September, 1862, I asked \$300 a mile for the same service as that included in Mr. Brook's award, and if you will refer to that gentleman's paper you will find that he considered \$300 a mile the proper sum, but expressed his willingness to accept \$250, provided the matter was then (July last) settled so as to permit of the Company's finance, being at once arranged. Mr. Watkin argued that the sum of \$250 thus proposed by Mr. Brooks to avoid delay, was altogether inadequate. I asked \$360 a mile, in a verbal conversation, subsequently, when you wished the Company to perform a particular description of service involving the running on some parts of the line of special trains at night for the sole use of the Post Office Department, and not required for the Company's ordinary traffic. The assumed discrepancy in the demands made by the Company does not, therefore, exist.

In regard to the figure which you quote as having been suggested by the Hon. Mr. Moffatt, the arbitrator on the part of the late Government, I have to remark, as I have done in previous communications, that Mr. Moffatt himself stated in the document which he drew up, that his views were submitted for the consideration of Mr. Brooks, with the object that when the latter gentleman had considered them, they might meet and discuss any points of difference that might be found to exist between them.

That further consideration was denied to Mr. Moffatt by the abrupt termination of the arbitration, and it is certainly unfair both to Mr. Moffatt and the Company to assume, as final, his expression of views which were stated by himself to be submitted for consideration, and for further discussion hereafter, but which discussion never took place.

I must also remind you that in a paper discussing Mr. Moffatt's report, (which I placed in the hands of the Government), a most material error was pointed out as regards the mail service performed by the New York and Erie Railway Company, as stated by Mr. Moffatt, which completely altered the calculations upon which the figure he named was based.

I must here say that, pending a reference of the whole matter to arbitration, it is most inconvenient, to say no more, to be forced to discuss publicly those questions of fact and figures which should, and must hereafter, be decided semi-judicially, and also to the manifest impropriety of being obliged to discuss the proceedings of an arbitration which has not yet been completed.

Having now adverted to some of the prominent points raised in your Report to Council, I must in repeating the satisfaction of the Directors of the Company at finding that the matter is finally to be determined by a disinterested Tribunal, again most seriously call the attention of the Government to the extreme hardship of the position in which the Company has been placed.

As was stated in the letter which the President of this Company and myself had the honor to address to the Provincial Secretary on the 21st July last, and to which letter no reply has been received, or its statements called in question, this Company agreed to the proposal made upwards of a year ago by His Excellency the Governor General in Council to refer the question as to the amount to be paid for Postal service to arbitration.

They did this as a part of a scheme suggested by the Government for the settlement of the financial difficulties into which the Company had fallen.

That scheme involved very large sacrifices on the part of the Bondholders and Creditors of the Company, without which sacrifices the Company would have been led into interminable legal contests which must have ended in entirely destroying the credit of the Company, and which would have rendered the continued working of the line impossible.

By the sacrifices thus made, which insured the continued working of the line, the country secured great advantages, and the minute of Council of October 1861 referred pointedly to the "disastrous consequences which would flow from a stoppage of the line."

Up to the present moment no benefit has accrued to those interested in the Company who have made such great sacrifices.

It was on the faith of an early award by the arbitration ordered by the Governor General in Council in October 1861 that all parties interested in the Company agreed to the concessions and sacrifices which have been made.

In July 1862 the Governor General in Council revoked the submission to arbitration and rendered useless all the proceedings under it to that time.

This came upon the Company with the greater surprise because the present Government on the 27th of May previously had taken a very important step in the progress of the arbitration itself, and because the present Government, on the 9th of June, appointed Mr. Chief Justice Draper as the umpire in the arbitration, an office which that gentleman accepted.

The Company was, after the arbitration had been revoked, informed that the matter should be disposed of without delay by the Government itself in a satisfactory manner, without the intervention of third parties. Ever since July last we have been pressing for a decision, and now in October 1862, upwards

of twelve months after the matter was first referred to arbitration, and after more than an entire year has been lost, to the great injury of the Company, we are informed that the matter is too complicated to be settled by the Government, and that Parliament will be recommended to authorize its being again referred to arbitration.

Here is again further and most ruinous delay.

Whilst heartily and fully concurring in the final settlement of the question by arbitration, the Directors of this Company cannot but feel that the case is one of the most extreme hardship, inflicting great injury upon the very large number of persons interested in this Company—delaying still further the final settlement of the financial affairs of the Company—injuring its credit, and paralyzing its progress and usefulness in developing the material interests of the country through which it runs.

These evils cannot fall upon the Grand Trunk Railway Company without Canada herself suffering a corresponding injury; and the Directors of this Company would not have done their duty either to those they represent, or to Canada herself, if they did not frankly and fully place the whole of the facts once more upon record.

As your Report is an entirely *ex-parte* statement, the Directors of this Company are sure that you will desire that this letter should have the same publicity that was given to your Report, and I therefore forward copies to the newspapers.

I have the honor to be,
Sir,
Your most obedient servant,

C. J. BRYDGES,
Managing Director.

HON. M. H. FOLEY,
&c., &c., &c.,
Postmaster-General,
Quebec.

