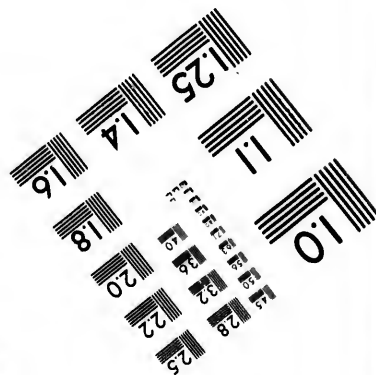
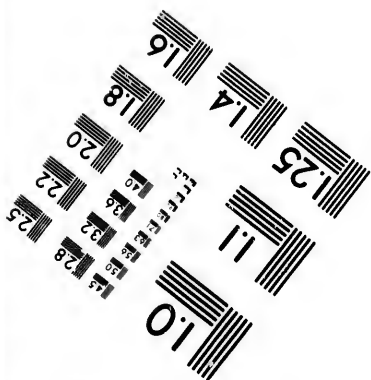
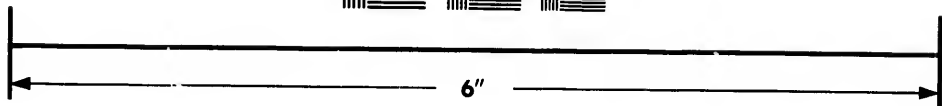
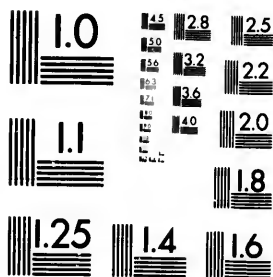


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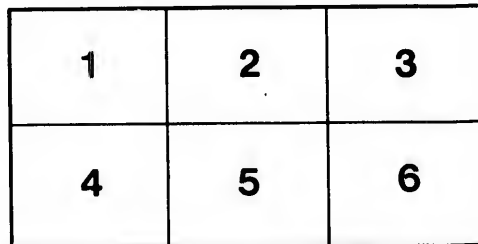
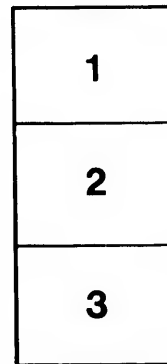
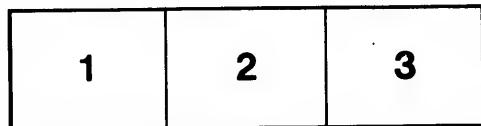
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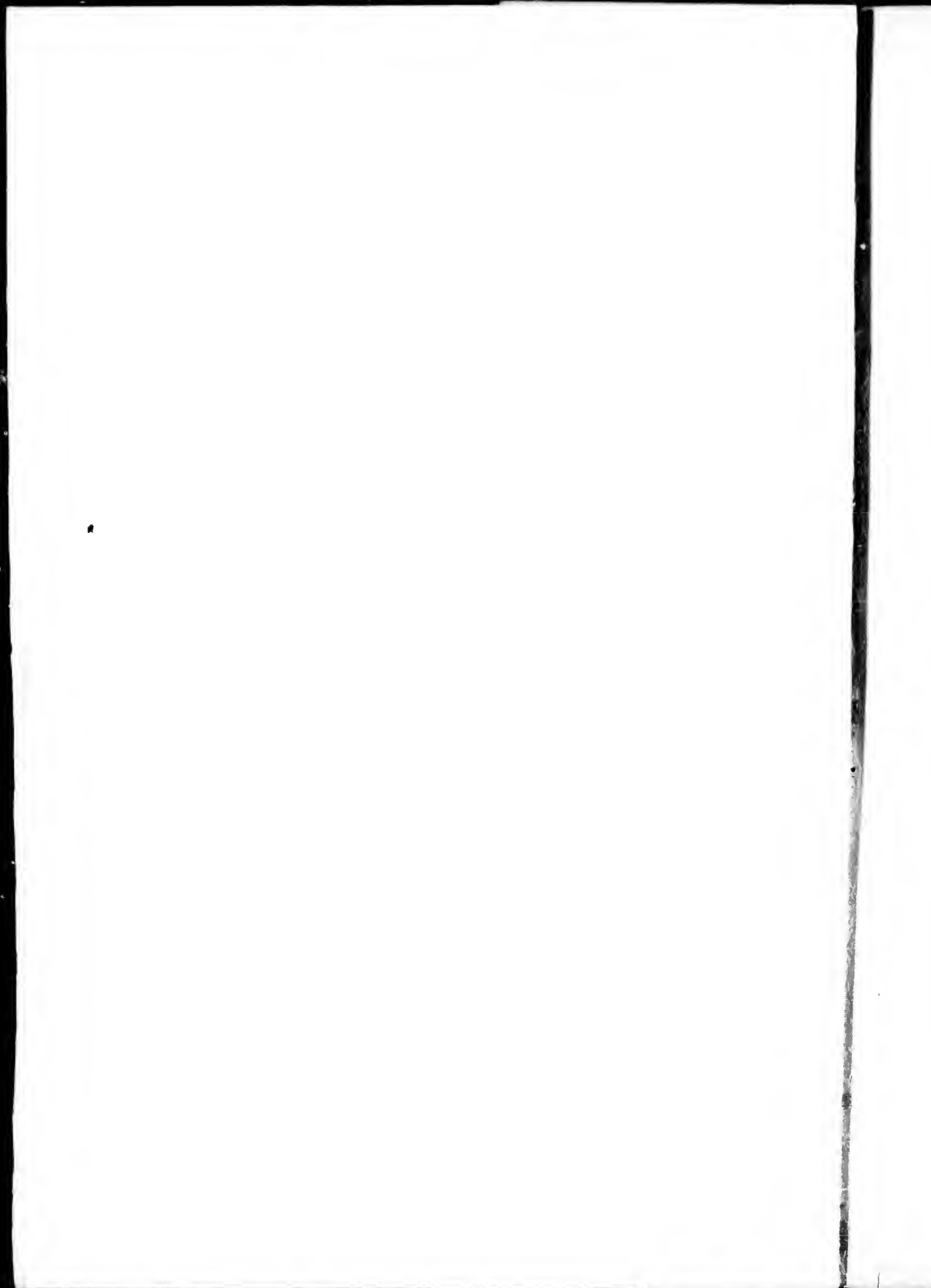
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CHAMPLAIN & ST. LAWRENCE  
AND  
MONTREAL & NEW YORK  
Rail-Roads.

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STATEMENT

OF

PRESIDENTS,

MONTREAL, APRIL 2ND, 1855.

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Many groundless and erroneous statements having been put forth with the view of opposing legislative action, having for object the amalgamation of these Roads, the undersigned, Presidents of the two Companies, deem it their duty to make known the following circumstances, which, it is hoped, will lead to a right understanding of the true merits of the Bills.

The objections against the amalgamation are urged:—

1st. In the interest of the Plattsburg Company.

2nd. In the interest of individuals living along the line of the Montreal and New York Road.

It is to be kept in view that no objection is taken save by one or two of the Stockholders in either Company, a vast majority of them conceiving that by amalgamation only, can they be enabled to keep faith with and meet the just claims of their creditors.

The reasons urged in the interest of the Plattsburg Company, are these:—that they and the Montreal Company, from motives of common interest, were induced to build roads whose respective termini should unite at the Ogdensburgh Road—

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that neither could have built its section without counting on the *continued* co-operation of the other, and that the merger by the Montreal Company of its interest in the Champlain Company, is a violation of that understanding.

Now, it is necessary to view the circumstances under which the Montreal Company began its operations. It was undertaken with the view of raising the Stock of the Lachine Road. The Lachine Road had previously paid dividends of from two to three per cent per annum, and it was supposed that if they had a connection with the American Roads to the south, the value of the stock would be enhanced. The Champlain Company had then been in successful operation for 15 years, paying, during almost the entire period, renumerating dividends to their shareholders.

The Montreal Company, by a great effort, got only £29,000 of stock subscribed, and the majority of the Directors being persons of character and influence, connected with monied Institutions in Montreal, the funds indispensably necessary to complete the road, were obtained from those institutions, almost entirely on the faith of the prospective profits, which, it was anticipated, would be realised on the opening of the road. The original Lachine shareholders who declined taking stock in the extension, were, as it were, compelled to become partners in the new concern, but, not wishing to oppose the undertaking, the Bill ratifying the extension was not effectually resisted. The extension, up to December, 1853, cost £120,809, of which there was only represented by subscribed stock, £29,000 the balance being debt owing to the Banks from which, on the faith of their personal character as already stated, the Directors had obtained advances.

It is to be borne in mind as an essential and all important consideration, that the Plattsburg section and the Montreal section, had another road to which each looked as a common point of union, viz: *the Ogdensburg Road*; and this fact at once destroys the argument which would seem to flow from the assertion that the Plattsburg and Montreal Roads were both constructed *solely* with the view of their junction with each other, whereas, they were intersected by another common and independent road, joining with the southern roads, into which both ran, and the connection with which, the Plattsburg Road still continues.

Indeed, the Plattsburg Road intersects the Ogdensburgh line at a point  $2\frac{1}{2}$  miles short of its junction with the Montreal Company. It is most important to keep the geographical position of the roads, with reference to each other in view, as it will be seen, that, while the Plattsburg Road does intersect with, and may receive the traffic of, the Ogdensburgh Road, the Montreal section ends at the Province line, a point  $2\frac{1}{2}$  miles short of the junction with the Ogdensburgh Road.

These roads were *not* built therefore solely with the view of connecting with each other, the local traffic and the junction with the Ogdensburgh Road being most important considerations affecting their construction, as will be seen from the following extract of the Report for February, 1853, by the then President, W. F. Coffin, Esquire:—"Although the  
 "experience of the three months commencing 20th  
 "September, 1852, cannot be regarded as any crite-  
 "rion of the business of the road, yet the business  
 "done during that period holds out the most encou-  
 "aging promise. During that time, large parcels of  
 "freight offered, which we were obliged to refuse,

“ partly from inability to convey it, and partly from  
 “ the want of sufficient buildings for its reception  
 “ and protection from the weather. At that late  
 “ period of the season, *it was impossible to form run-*  
 “ *ning arrangements or connections with other roads,*  
 “ *whose arrangements had been already made,* and  
 “ the route being new had not attracted the notice  
 “ of the travelling public. The earnings of the  
 “ road during that period amount to £4627 10s.  
 “ 1d. currency. It is, however, right to notice the  
 “ eagerness with which the rural population flock-  
 “ ed to the road. The market trains, run for their  
 “ accommodation, were thronged with passengers  
 “ and produce. It should be observed, that *the road*  
 “ *passes through two of the most populous counties of*  
 “ *Lower Canada, Huntingdon and Beauharnois,*  
 “ *each, according to the census of 1852, containing*  
 “ *upwards of 40,000 inhabitants, densely crowded on*  
 “ *both sides of the line, and which, according to the*  
 “ *same census, produce a larger quantity of grain*  
 “ and products of the dairy, than any other coun-  
 “ ties in the Province. By the proposal already  
 “ made, there can be no doubt that all the expect-  
 “ tations already formed, will be realized, and that  
 “ the amount of business done will be only limited  
 “ by the amount of accommodation we can afford.”

It is stated that an agreement was entered into,  
 to run the two roads as one interest, on the 15th  
 day of September, 1852. The *date* of this agree-  
 ment being *after the roads were finished,* affords  
 another argument that the roads were originally  
 built independently of each other, and that, so far  
 and so long only, as served their mutual interest,  
 did they mean to run in common.

But without attaching undue importance to that  
 circumstance, what is this agreement? It was en-

tered into at Plattsburg between William Swetland, President of the Plattsburg Road, of the one part, and William F. Coffin, President of the Montreal Road, of the other part, *and it was never submitted for approval or rejection to the shareholders in the Montreal and New York Road.*

It purports first to make the Montreal shareholders co-partners *in a foreign Corporation*, and this as is contended *for all time to come*. It makes them liable for accidents occurring on the Plattsburg Road, and for the loss of or injury to persons and property on that Road. It takes away from the Board of Directors of the Montreal Road, the power of fixing a tariff, and delegates it to three persons, one to be chosen by the Plattsburg Road, a second by the Montreal, and a third by these two.

The undersigned have been informed by a very large number of shareholders in the Montreal Company, that an agreement of such a character was never heard of by them, and never would have been assented to, had it been submitted for their ratification.

Can it be contended for one moment that such an agreement, even if no controlling circumstances had intervened to justify the cancelling of it, was, in any respect, whether morally or legally, binding on the shareholders of the Montreal Company. *They* were not consulted. The Directors had no power to enter into such a partnership, far less the President individually. It was alluded to in the Annual Report of the Montreal Company, in the following terms, and it was never hinted to the Proprietors that the arrangement was other *than temporary*:—"under existing arrangements with the *Plattsburg and Montreal Railroad Company*, the whole Road from Caughnawaga to Plattsburg is

" operated under one superintendence. The ear-  
 " nings form one fund, from which are first defrayed  
 " the expenses of general management and the  
 " expense of running the Roads. The nett earnings  
 " are to be divided between the two Companies on  
 " the mileage principle, or in proportion to the  
 " length of each respective Road. The proportion  
 " of expenses will be governed by the same prin-  
 " ciple. Each Company will maintain its own  
 " Road and provide and keep in order its proportion  
 " of motive power and rolling stock ; which, never-  
 " theless, will operate indifferently over the whole  
 " line of the Road. It is agreed that each Com-  
 " pany shall compensate the other at a settled rate  
 " for extra use of Stock and Machinery, or motive  
 " power, whenever extra services may be required."

It is useless to say that any single shareholder  
 could, successfully, have resisted any such partner-  
 ship, even if it had been sanctioned by nine-tenths  
 of his co-proprietors. It was utterly foreign to the  
 objects of their corporate existence.

But supposing what is not the fact,—1st That the  
 Roads were originally built solely with the view of  
 connecting with each other ; and 2nd, that such an  
 agreement *was legal*. What follows ? The Platts-  
 burgh Company well knew that an undertaking of  
 such a nature *was, of necessity, temporary ;—that it*  
*was in no way binding on any new Shareholders*  
 who might purchase into the Company. The  
 Proprietary of all Corporations is *mutable*, and  
 new proprietors are bound by none of the equities  
 of their vendors. If the old shareholders chose  
 to sell out, the buyers might elect their own Direc-  
 tors and manage the Road as they saw fit.

Or on the contingency, which it will presently  
 be shewn was one of imminence, that either Road

had been sold for debt, would the *purchaser at the Sheriff's sale* have been bound to carry out *any pre-existing agreement*, or could he not have worked or declined to work the Road as suited his interest?

It is incorrect to say, that the common sense of either party considered that this undertaking (supposing it to have been assented to by the shareholders, which it was not,) was obligatory *one moment longer than it suited their mutual interests to act on it*. Superadded to this consideration, is the fact—a most important one—that *no time is fixed for the duration of the agreement*, and it was, therefore, by an undoubted principle of law, well understood by both parties, terminable *on the will of either*.

But, admitting further, for the sake of argument, not only that the agreement was unobjectionable in its nature, and that it was assented to by the shareholders, but also that both Companies intended to carry it out in perpetuity, there is a further argument, conclusive and unanswerable against its continuance. Circumstances arose which not only justified, but demanded even its entire rescission, though that was not contemplated at the time of amalgamation, there being a clause inserted in the Deed of amalgamation, whereby the Champlain Company bound themselves to “exercise and extend a due and proper consideration for all arrangements which now exist between the Montreal and New York Railroad Company and any other Railroad Company, in so far as the same can be carried out on an equitable and just basis, and are compatible and consistent with all the interests hereby enumerated which the carrying out of such arrangements would effect.”

The Montreal Company owed, when they formed

the association with the Champlain Road, of floating (in addition to their bonded debt,) £96,000, and upwards.

By the return for the year, their deficiency even to pay the interest on their debt was £4771, and upwards.

In former years the expenses of the Lachine Road were only 50 per cent on the gross earnings, and the effect of the competition with the Champlain Road caused them to swell to nearly 90 per cent. The Company's Bills were under protest,—the large debts to the Banks were exigible, and it was evident that the Road could not have escaped being sold by the Sheriff ere many months elapsed.

And what was the condition of the Plattsburg Road? Their Mortgage Bonds bearing 7 per cent interest, were offered for sale in the City of Montreal at a discount of 25 per cent and the statement exhibited by that Company with the view of effecting the sale of these Bonds shewed that their earnings were inadequate to meet the interest *on their debt* by nearly \$8000 a year.

At the same time this company, in whose interest the present opposition emanates, declared that unless they could effect the loan, their Road *must pass into other hands*. Who would then have controlled *its* working? Would the *interests* of the Montreal Company have been protected in that case? Could the Montreal Company with any justice have insisted that its claims in regard to the connection were to be primary to those of *the Creditors* of the Plattsburg Company? Would that Road not have been acquired by some of the Southern Companies, whose interest would have lain in placing a high tariff on the through traffic from New York, on their own Southern Road, and com-

pelling the Montreal Road to share in the unremunerative and nominal rates, which, seeing they acquired the Plattsburg Road for its *debt only*, they could afford to have placed on the line from Plattsburg to Montreal? No other Road would have made the purchase except with the view of benefitting themselves, and if they found they could realize the interest of the debt by the earnings of the Plattsburg Road, they could place a higher and compensating charge on their own Line. By the terms of the agreement with the Montreal Company, they were subject to the same mileage rate as the Plattsburg end, and as already stated, the Montreal Company had no connection even with the Ogdensburgh Road, except over a section of the Plattsburg Road. *This* contingency of the sale or lease of the Plattsburg Road has actually taken place, and proposals have been made within the last month by parties who represent that they have acquired the Plattsburg Road.

Now, under these circumstances, the certainty of ruin to both Companies, not only to their Shareholders but to their Creditors, would it have been prudent or even just or honorable on the part of the Montreal Company, to those who advanced them the means of building the Road, to have continued a competition, not at the expense of the *Proprietors*, but with the funds of the *Creditors*, who had, in reliance on the personal characters of the Directors, given the loans? If the competition involved only the loss of the *Proprietors' stock*, the Plattsburg Company might, with a slight shadow of justice, have claimed the continued fulfilment of the agreement, but when the rights of more than £96,000 of Creditors, against £29,000 of Stockholders were involved, the Montreal Company had no right to



sport with a Road which was in strictness the property of their Creditors, and those Creditors all *sanctioned* and *urged* the amalgamation.

Persistence in such a course could have benefited none. Less than another season would have involved both Companies in a common ruin. Both Roads would have fallen into other and independent hands, and the pre-existing arrangements of former Proprietors would have been mere waste paper.

Seeing all these eventualities, and many of the Shareholders in the Montreal Company having never heard of this agreement with the Plattsburg Company, at the Annual Meeting held on the 23th February, 1854, 1139 shares voted in favor of the amalgamation with the Champlain Company, and 104 against. The real majority was much greater, for of the largest Shareholders, some owning 250 shares, were restricted by the terms of the Charter to 50 votes, and the majority in favor of the amalgamation was in reality 1550 to 104.

The Champlain Company, at a subsequent Special Meeting of the Proprietors, unanimously affirmed it. By the terms of that amalgamation, the Champlain Company assumed the floating debts of the Montreal Company, agreed to divide the profits, in proportion to the stock, the Mortgage Bonds of each Company remaining secured as before, and the object of the present Bills is to legalise such a union of the two Corporations as will enable them to be managed by one direction, and to run as one Road, the Companies thereby hoping, by the exercise of economy, to meet, at least, the interest on their debt.

After the amalgamation, the Presidents of the two Companies entered into arrangements with

the Plattsburg Road, to run in common, and they had hoped that an amicable and equitable understanding had been established.

But a wantonly and reckless course of proceeding has since been pursued, which can only result in evil to the interest of all concerned. The cars and engines of the Montreal Company were seized by the Plattsburg Company, in the State of New York, for the supposed breach of contract, at a time when they were running in friendly connection, and a bitter hostility having been fostered by a succession of events, the Montreal Company was forced, in order to prevent the further seizure of their property to cease allowing their cars and engines to go beyond Hemmingford, but the Plattsburg Company had full permission to connect there, and to use the Montreal and New York Road free to Hemmingford.

In addition to the opposition of the Company, the feelings of the inhabitants along the line of Road have been enlisted against the amalgamation, and the name, (as the undersigned are informed,) of *two* absent creditors has also been used to obstruct the junction. These petitioners are not Stockholders, as they represent themselves to be.

It has been said that the Montreal Road will no longer be operated, &c., but there is no intention whatever to cease operations on it if it is found that it will pay the expenses of its working. On the contrary, it is proposed to work it as part and parcel of the same property.

In laying this plain statement before the Legislature, the two Companies discharge a duty, not to themselves alone, but in the interest of their Creditors. The responsibility for the consequences of continued competition between the Roads shall

not rest with them. If the Legislature is induced by any consideration to refuse assent to the Bills which are required for the economical working of the Roads as one interest, the Stockholders of the two Companies will not be to blame for the result. The two Companies owe together £435,000, of which about £110,000 sterling is held in England, and the remainder, £300,000, is due to various parties in Canada.

In the year 1853, when the two Roads ran in opposition, their united receipts fell short by £20,000, and upwards, of paying the interest on their debt. Last year, from the jealousies and antagonism which were fostered, and owing to the uncertainty whether the amalgamation would be sanctioned or not, no satisfactory reduction in the expenditure, so as to work the two Lines as one Road could be made, and the deficiency to pay the interest was £11,400.

The Companies have hitherto been able to pay the interest on the Bonds held in England, by obtaining advances on the personal security of some of the Directors who were unwilling that the credit of the Company abroad should be destroyed, so long as a hope existed that the amalgamation would be accomplished, and that the discredit of having the Roads sold under execution could be averted.

But let those who are inclined to be carried away by the outcry which has been raised calculate well the consequences which will *surely* and *inevitably* follow the continuance of competition. Two Roads, costing together £750,000 and upwards, most favorably situated, having the exclusive command of the New York trade, and having only the Grand Trunk to share in the Boston trade, will, as bankrupts, be brought to the hammer. The confidence

of foreign capitalists whose means have been invested in like securities and other undertakings, may well be impaired by the fact that Roads so situated and so cheaply constructed have to be sold for the interest on their debt.

As one undertaking, and with economy, it is asserted with confidence that the Roads can meet all their engagements, and even make a return to the Proprietors. Were it not that the Companies are earnestly desirous of averting consequences which would not only be so injurious in a public point of view, but which would entail calamity and even ruin on many Creditors whose means have been invested in their Bonds, they would not have made this representation ; but feeling that their Creditors have the right to every consideration and effort at their hands, and that it is due to the Legislature, that it should be forewarned of the consequences which are impending, they leave the responsibility where it ought to rest :—with those who have raised and those who may sanction the objections to the principle of the measures before the House.

The Shareholders have hitherto endeavored to maintain faith, not only with their Creditors, but in respect of all engagements which may have been entered into in their name, however improvidently or unwisely. Accusations of bad faith are easily made, and—were it worthy of Public Companies dealing with and anxious to preserve the rights of a numerous body, as well of Creditors as Proprietors, to descend to the arena of personal controversy or recrimination,—might be answered in a manner that would not only relieve *them* from the injustice of any such charge, but transfer the odium where it ought properly to rest.

Having *thus* discharged a simple duty, and fully

put before the Legislature, the Stockholders and the Creditors of both Companies, the real position of affairs, the responsibility of future action rests with those whose authority is now invoked.

~~A. M. DELISLE,~~

*Presdt. C. & St. L. R. R. Co.*

~~JOHNSTON THOMSON,~~

*Vice-Presdt. M. & N. Y. R. R. Co.*

MONTREAL, April 2nd, 1855.

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