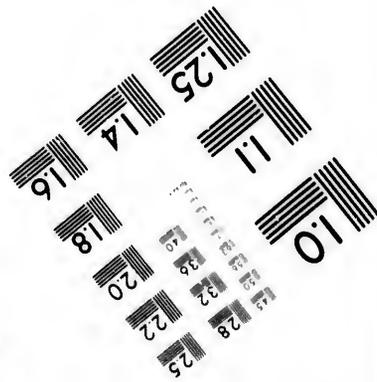
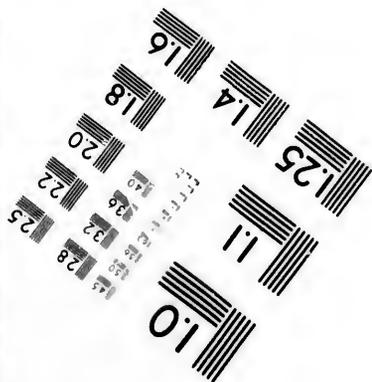
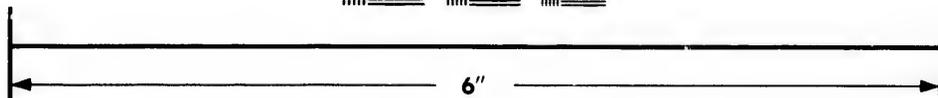
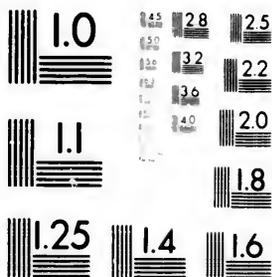


**IMAGE EVALUATION  
TEST TARGET (MT-3)**



**Photographic  
Sciences  
Corporation**

23 WEST MAIN STREET  
WEBSTER, N.Y. 14580  
(716) 872-4503

15 28 35  
16 32 22  
18 20

**CIHM/ICMH  
Microfiche  
Series.**

**CIHM/ICMH  
Collection de  
microfiches.**



Canadian Institute for Historical Microproductions / Institut canadien de microreproductions historiques

10

**© 1981**

Technical and Bibliographic Notes/Notes techniques et bibliographiques

The Institute has attempted to obtain the best original copy available for filming. Features of this copy which may be bibliographically unique, which may alter any of the images in the reproduction, or which may significantly change the usual method of filming, are checked below.

L'Institut a microfilmé le meilleur exemplaire qu'il lui a été possible de se procurer. Les détails de cet exemplaire qui sont peut-être uniques du point de vue bibliographique, qui peuvent modifier une image reproduite, ou qui peuvent exiger une modification dans la méthode normale de filmage sont indiqués ci-dessous.

- Coloured covers/  
Couverture de couleur
- Covers damaged/  
Couverture endommagée
- Covers restored and/or laminated/  
Couverture restaurée et/ou pelliculée
- Cover title missing/  
Le titre de couverture manque
- Coloured maps/  
Cartes géographiques en couleur
- Coloured ink (i.e. other than blue or black)/  
Encre de couleur (i.e. autre que bleue ou noire)
- Coloured plates and/or illustrations/  
Planches et/ou illustrations en couleur
- Bound with other material/  
Relié avec d'autres documents
- Tight binding may cause shadows or distortion along interior margin/  
La reliure serrée peut causer de l'ombre ou de la distorsion le long de la marge intérieure
- Blank leaves added during restoration may appear within the text. Whenever possible, these have been omitted from filming/  
Il se peut que certaines pages blanches ajoutées lors d'une restauration apparaissent dans le texte, mais, lorsque cela était possible, ces pages n'ont pas été filmées.
- Additional comments:/  
Commentaires supplémentaires:

- Coloured pages/  
Pages de couleur
- Pages damaged/  
Pages endommagées
- Pages restored and/or laminated/  
Pages restaurées et/ou pelliculées
- Pages discoloured, stained or foxed/  
Pages décolorées, tachetées ou piquées
- Pages detached/  
Pages détachées
- Showthrough/  
Transparence
- Quality of print varies/  
Qualité inégale de l'impression
- Includes supplementary material/  
Comprend du matériel supplémentaire
- Only edition available/  
Seule édition disponible
- Pages wholly or partially obscured by errata slips, tissues, etc., have been refilmed to ensure the best possible image/  
Les pages totalement ou partiellement obscurcies par un feuillet d'errata, une pelure, etc., ont été filmées à nouveau de façon à obtenir la meilleure image possible.

This item is filmed at the reduction ratio checked below/  
Ce document est filmé au taux de réduction indiqué ci-dessous.

10X	14X	18X	22X	26X	30X
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12X	16X	20X	24X	28X	32X

The copy filmed here has been reproduced thanks to the generosity of:

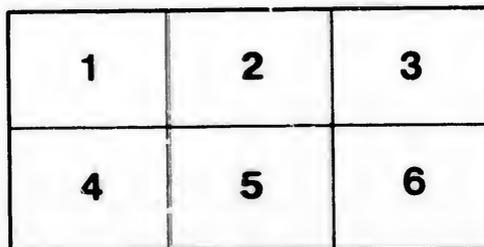
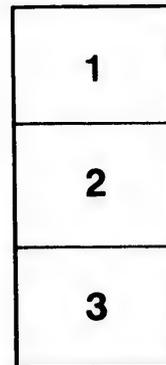
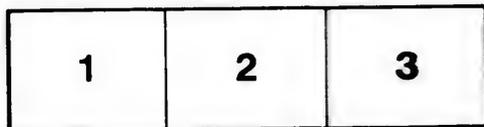
Bibliothèque nationale du Québec

The images appearing here are the best quality possible considering the condition and legibility of the original copy and in keeping with the filming contract specifications.

Original copies in printed paper covers are filmed beginning with the front cover and ending on the last page with a printed or illustrated impression, or the back cover when appropriate. All other original copies are filmed beginning on the first page with a printed or illustrated impression, and ending on the last page with a printed or illustrated impression.

The last recorded frame on each microfiche shall contain the symbol  $\rightarrow$  (meaning "CONTINUED"), or the symbol  $\nabla$  (meaning "END"), whichever applies.

Maps, plates, charts, etc., may be filmed at different reduction ratios. Those too large to be entirely included in one exposure are filmed beginning in the upper left hand corner, left to right and top to bottom, as many frames as required. The following diagrams illustrate the method:



L'exemplaire filmé fut reproduit grâce à la générosité de:

Bibliothèque nationale du Québec

Les images suivantes ont été reproduites avec le plus grand soin, compte tenu de la condition et de la netteté de l'exemplaire filmé, et en conformité avec les conditions du contrat de filmage.

Les exemplaires originaux dont la couverture en papier est imprimée sont filmés en commençant par le premier plat et en terminant soit par la dernière page qui comporte une empreinte d'impression ou d'illustration, soit par le second plat, selon le cas. Tous les autres exemplaires originaux sont filmés en commençant par la première page qui comporte une empreinte d'impression ou d'illustration et en terminant par la dernière page qui comporte une telle empreinte.

Un des symboles suivants apparaîtra sur la dernière image de chaque microfiche, selon le cas: le symbole  $\rightarrow$  signifie "A SUIVRE", le symbole  $\nabla$  signifie "FIN".

Les cartes, planches, tableaux, etc., peuvent être filmés à des taux de réduction différents. Lorsque le document est trop grand pour être reproduit en un seul cliché, il est filmé à partir de l'angle supérieur gauche, de gauche à droite, et de haut en bas, en prenant le nombre d'images nécessaire. Les diagrammes suivants illustrent la méthode.

2385.7

L579.

I

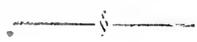
A

P385.714  
L579d

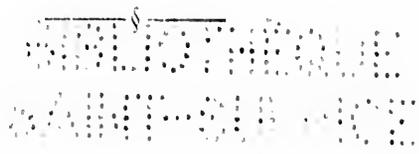
THE  
LEVIS AND KENNEBEC  
RAILWAY,  
AND ITS DIFFICULTIES,

BY CHARLES A. SCOTT,

ONE OF THE LATE CONTRACTORS.



A BRIEF HISTORY OF LAROCHELLE & SCOTT'S CONNEC-  
TION WITH THE LINE FROM ITS COMMENCEMENT TO  
THE PRESENT TIME.



QUEBEC:  
PRINTED AT THE "MORNING CHRONICLE" OFFICE,  
1877.

5385,114  
6579 D

SECRET  
TOP SECRET

I

A

K  
an  
wh  
th  
po  
lec  
to  
mo  
th  
tak  
ass  
tha

S 385.714  
L 5790

THE  
LEVIS AND KENNEBEC RAILWAY,  
AND ITS DIFFICULTIES,

BY CHARLES A. SCOTT,

ONE OF THE LATE CONTRACTORS.

—§—

A BRIEF HISTORY OF LAROCHELLE & SCOTT'S CONNECTION  
WITH THE LINE FROM ITS COMMENCEMENT TO THE  
PRESENT TIME.

—§—

Owing to the unfortunate position in which the Levis and Kennebec Railway Company finds itself placed to-day, in an antagonistic attitude towards the English capitalists who have built the road thus far, and owing to the fact that the public has but a very slight knowledge of the true position of the enterprise, and the circumstances which have led to the present troubles; and more particularly in justice to myself, who induced my English friends to invest their money in the undertaking, I think it desirable to lay before the public in this pamphlet, a brief history of the undertaking and of my connection with it, and in doing so, I can assure the public that I am actuated by no other motive than that of justice and fair-play towards all parties who have in

good faith aided in bringing the road to the position it was in when the unfortunate difficulties which have lately arisen, brought strife and animosity into an enterprise of such importance and promise to the interests of the Province of Quebec.

---

The Levis and Kennebec Railway Company was incorporated by act of the Provincial Parliament in 1869, for the purpose of building a railway, about ninety miles in length from Levis to the United States boundary line in Maine, and on the 31st December, 1870, a contract was entered into with Mr. J. B. Hulbert to construct 50 miles of *wooden* Railway from Levis to St. François, at the price of \$6,000 cash per mile, completed and equipped. During the summer of 1871, some 27 miles of road were graded (at a cost to the contractor, according to his own books, of \$44,000 cash), for which the Company paid about \$65,000 in municipal debentures at par and in money. The subscriptions to the Stock of the Company at that time, (and they have never been increased since) amounted to about \$104,780, made up as follows:

Town of Levis .....	\$50,000	in Corporation Bonds.
St. Anselme.....	12,000	"
Private Names.....	42,780	Cash.

This added to a Government subsidy of \$1,710 per mile, representing about \$2,870 per mile. This was the amount which the Company had to build a *Wooden Railway* 90 miles in length, which was to have cost \$6,000 per mile!

It was in the summer of 1871 I first met Mr. Larochelle, and in the winter of 1872 we entered into partnership, not to construct the railway, but to undertake a sub-contract from Mr. Hulbert to get out the necessary ties and timber for 30 miles of track, and we became involved to the extent of

about \$39,000, for the payment of which we had to look to Mr. Hulbert, and through him to the Levis and Kennebec Railway Company.

Mr. Hulbert became unfortunate in his contracts, and could not meet our claim, and the Company had no funds left, so that (with no resources of our own) we had to make some effort outside to pay ourselves. In January, 1873, Larochelle & Scott made an arrangement with Mr. Hulbert by which that gentleman agreed to retire from the contract altogether, and we were to replace him. A lease of the first Section (30 miles) was granted us by the Company, we agreeing to build that portion of the road, and having as our profits the working of it for 20 years. (This lease was subsequently extended to 99 years on the whole length of line, 90 miles.)

Wooden Railways having proved a failure, the idea of constructing this road with wooden rails was abandoned, and I got up a prospectus for an Iron Road, thinking I had simply to go over to the London Market and get all the money I wanted in a few days. I left for England in March, 1873, and in the meantime through the generosity of Mr. Jas. G. Ross, of Quebec, who advanced us sufficient money, we were enabled to clear off most of our liabilities.

Reaching London, I found it utterly impossible to negotiate Bonds on a road that really had nothing to give as security, except a paltry, \$2,870 per mile, subscribed here by Government and people. After spending about four months in London, making every effort to negotiate a loan, I returned to Canada, having signally failed in my object, but leaving the negotiation in the hands of a personal friend, Mr. J. W. Cunningham, who promised to do his utmost to float the loan required. How far he succeeded in fulfilling that promise, will be seen further on.

Immediately on my return to Canada, I entered into negotiations through Mr. Hulbert with New York parties, and secured 600 tons of iron rails, and a locomotive, which enabled us to lay about six miles of track. For the payment of this material, bonds of the road were given as collateral security, with the understanding that the amount we were liable for would be paid when we negotiated our loan in England. To enable us to pay freight and lay track, we borrowed money, and depended on our success in England to repay it.

In October, 1873, Mr. Cunningham cabled me to come to England, that he thought he could negotiate for money to carry us on. I left by next steamer, and on arrival was introduced by him to John Langham Reed, Esq., Contractor and Financial Agent, who was looking into our scheme, and after ascertaining from the very best of sources the standing of Mr. Reed, and receiving the best possible report of his character as an honorable man, and capable of taking hold of our scheme, I entered into an agreement with him (subject to ratification by the Company) to make us advances to continue work, and in consideration of our critical position, obtained from him the sum of £1,500 sterling to cable over, enabling us to pay our labour, &c., and save us from bankruptcy.

#### EXTRACTS FROM AGREEMENT.

The following extracts from the agreement (which was ratified by the Company) between Mr. Reed and the Levis and Kennebec Railway Company, speak for themselves as to the nature of the whole transaction.

“ The purchaser agrees to use his best endeavors to dis-  
 “ pose of the said debentures, and shall account to the  
 “ Company for so many of the same as shall be disposed of  
 “ by him at the rate of.....as aforesaid per

" debenture." (Each debenture bearing a nominal value of £100.)

" The purchaser shall have the option of purchasing the Company's debentures of the second and third issue of one hundred thousand pounds (£100,000) each on the terms and conditions hereinbefore provided, in respect of the first issue of the Company's debentures, provided however that if the purchaser should hereafter purchase the debentures of the Company of the second or third issues, he shall account to the Company at the rate of .....per debenture for each one hundred pounds (£100) debenture of such second or third issue."

The strict terms upon which this agreement was entered into were *that the Lease existing between the Company and Larochelle & Scott should be cancelled immediately on my return to Canada, and a contract which he (Mr. Reed) drew up would be passed in lieu of said lease, as it would be impossible for him to enter into any negotiations for advances on a line of railway, where a lease existed between the Company and Contractors.* The contract in lieu of the lease was duly executed and the lease cancelled.

This contract provided that the contractors should construct the railway fully equipped for and in consideration of the sum of £3,300 sterling per mile in bonds (or proceeds), and \$32,018 per mile in paid-up stock of the Company, together with all Government and Municipal subsidies.

The Sterling Bonds were duly executed, and the first issue of £100,000 was sent to Mr. Reed, with the following Power of Attorney :

POWER OF ATTORNEY.

" To all to whom these presents shall come, or may in any way concern, the Levis and Kennebec Railway Com-

8

"pany, a company duly incorporated under an Act of the  
"Legislature of the Province of Quebec, in the Dominion  
"of Canada, assented to 5th April, 1869, amended by an  
"Act assented to 24th December, 1872, and by an Act assent-  
"ed to 1874 Send Greeting : Whereas, we, the said Company,  
"under and in pursuance of the authority conferred upon  
"us by the said Act of incorporation and the Acts amend-  
"atory thereof, propose to sell the first mortgage seven per  
"cent debentures of the Company of the first issue to the  
"amount of one hundred thousand pounds sterling (£100,-  
"000), and for that purpose we propose to appoint John  
"Langham Reed, of 1 King's Arms Yard, in the City of  
"London, England, as our Agent and Attorney. Now,  
"therefore, Know Ye, that we, the said Lewis and Kennebec  
"Railway Company, in consideration of the premises, hath  
"and do hereby nominate, constitute and appoint the said  
"John Langham Reed as our Agent and Attorney, to re-  
"ceive the said Bonds, as they shall, from time to time, be  
"delivered to him, and to negotiate, sell and dispose of the  
"same, either by himself or through bankers, brokers or  
"agents, as he shall appoint on such terms and conditions  
"as he shall determine to be proper, and to receive and  
"collect the proceeds thereof, and to give full and absolute  
"discharges, and acquittances therefor, for us, and in our  
"name as fully as we could do so.

"Hereby giving and granting to our said Agent and At-  
"torney full and complete authority in the premises, and  
"ratifying and agreeing to ratify and confirm all that our  
"said Attorney shall lawfully do or cause to be done by  
"virtue hereof. In witness whereof, we, the said Lewis and  
"Kennebec Railway Company, &c., &c. &c.

(Signed,)

" J. G. BLANCHET,

President,

" E. DEMERS,

Secretary,"

That the agreement with Mr. Reed was fortunate and opportune, may be judged from the fact that since that time the promoters of railways in the United States have offered bonds in London on roads already *in operation* at fifty per cent discount without being able to borrow any money; and that such influential men as Sir Hugh Allan, Hon. Thos. McGreevy, the President of the Credit Valley Road of Toronto, the Contractors of the Quebec Central, and others, have spent months and months in London endeavoring to float their bonds, and have in all cases completely failed to do so: and yet these roads had share capital and municipal grants varying from \$4,000 to \$10,000 per mile, besides large Government subsidies, while the Levis and Kennebec, as I have shewn, had only \$1160 per mile from these sources. Some of the Ontario roads, such as the Toronto and Nipissing, which did succeed in negotiating their bonds, had to limit their issue to \$8,000 per mile, while the Levis and Kennebec obtained £3,300 sterling per mile.

On my return to Quebec I went on to New York, and our large creditors there were perfectly satisfied with the negotiation I made in England, as they had had very satisfactory reports of Mr. Reed's position. Through Mr. Reed's generosity in making us a preliminary advance of £1,500, matters were perfectly smooth with us in Quebec, and work progressed during the winter of 1873 and 1874. In the spring of 1874, our first shipment of 1,400 tons rails, and in the fall 600 tons more, arrived from Mr. Reed, and advances enabling us to proceed with our work, and by the fall of 1874 we had completed 30 miles of road. Our liabilities in the United States amounting to \$70,000 were also paid off by Mr. Reed.

In the fall of 1874, I made satisfactory arrangements with the Rhode Island Locomotive Works and Wason Manufacturing Company, for two additional locomotives and five

first-class cars, which were duly delivered in November. These purchases were made on the strength *entirely* of our English negotiations!

Our English advances continued up to May, 1875, and Mr. Reed had succeeded in floating the first issue of £100,000 of debentures, and had advanced us about £9,000 over what he had promised to do, for which he simply held the second issue as collateral.

As we thought it very advisable to construct 15 miles more of line (to St. Joseph) I left for England in April, 1875, to try and induce Mr. Reed to make us the necessary advances, and after a great deal of trouble, he agreed to do so, holding the second issue of bonds as collateral, as the market would not permit of their being floated! A Power of Attorney similar to the first sent was forwarded him, authorizing him to deal with the second issue.

On June 20th of the same year, our first section of 30 miles was opened for traffic. The rails for the 15 miles additional not arriving before September, we were unable to complete our work to St. Joseph that fall, but in July, 1876, the additional 15 miles were inspected by the Government Engineer.

The Government in 1875 gave additional aid to the line, increasing the subsidy to \$3,800 nett, so that the total amount which went into the actual construction of the railway (43 miles) up to the present time is as follows:

FROM CANADA AND UNITED STATES.

Government aid:.....	\$157,800
Less — Trust Fund pledged to meet interest on Bonds.....	74,385
	<hr/>
	\$ 83,415 (1)

Private subscriptions to Wooden Railway actually paid up as per Stock List lately issued.....	42,780 (2)	
Levis Corporation to Wooden Railway (in bonds).....	52,000 (3)	
St. Anselme, indirectly through private parties (bonds).....	12,000 (4)	
Liabilities incurred altogether on Mr. Reed's credit (including \$15,000 advanced by Messrs. Ross, Caron, Beaudet and others,) (less Rolling Stock since taken possession of by the owners).....	115,098 (5)	
	<hr/>	<u>\$ 393,293 00</u>

or about \$7,000 per mile.

FROM ENGLAND.

Furnished by Mr. Reed in actual cash and rails up to April, 1874 (on 1st issue of bonds).....	£ 55,000	
Furnished by Mr. Reed in actual cash as advances, from April, 1874, to date, as per statement (on second issue bonds).....	53,195	
	<hr/>	
Sterling.....	£108,195	
or at \$4.86 per £.....		<u>\$ 525,827 70</u>

or per mile \$12,083.

It must also be remembered that the amounts numbered 2, 3 and 4 (\$104,780) were given and subscribed for a *wooden railway* contracted for at \$6,000 per mile. These subscribers have now an Iron Railway instead, which is certainly more than they could have expected when they gave what they did!

Several anonymous newspaper correspondents have endeavored, since the present difficulties have arisen, to prove that of the amount spent in the construction of the road only 48 per cent. was furnished by Mr. Reed, and his friends, as against 52 per cent. contributed by the shareholders, the Government, and the persons to whom the \$115,098 is due.

Now allowing the Government and other Canadian subscriptions to stand as they are, the amount so subscribed would represent \$303,293, or about \$7,000 per mile, as against English advances of \$525,827, or \$12,083 per mile; and I maintain that the Government subsidy is given as a *bonus* to the parties who should furnish the funds to carry out the undertaking, also the Levis and St. Anselme subscriptions, which represent \$62,000. Therefore the following statement should be considered a fair comparison.

Private subscriptions.....	\$ 42,780
Floating debt, incurred on credit of English negotiations .....	115,098
Total.....	<u>\$ 157,878</u>

or \$3,650 per mile,

as against actual advances from England, as per statement \$525,827, or \$12,083 per mile.

In the foregoing, I have merely gone into actual cash figures of how financial matters stand, as between the Levis and Kennebec Railway Company and Mr. Reed. I now wish to show the position of the mortgage!

On the first Section of line, about 30 miles, not to speak of the second Section, there is a bonded debt (bonds floated and held in England) of £3,300 sterling per mile, and upon which an interest of 7 per cent per annum is expected to be paid (or in figures, £7,000 per annum). The Trust Fund

provided out of the Government subsidy is exhausted, and on the 1st July next £3,500 will be due and no funds ready to meet it, nor does the lease with Mr. Sénécal, as may be seen, even allude to any bonded debt existing.

The mortgage on the road is therefore :

Bonded debt on 1st Section.....	£100,000
Advanced by Mr. Reed on 2nd issue of £100,000 of bonds.....	53,195
	<hr/>
	£153,195
	<hr/>
or at \$4.86 per £ . . . . .	\$744,527
	<hr/>

or about \$17,000 per mile.

This, it seems to me, must be tolerably plain to persons who have any knowledge of figures.

Mr. Reed had never contemplated for a moment that he would be called upon to furnish all the money to build the line, but depended on liberal action on the part of the Government and Municipalities to assist him in carrying out an enterprise of such importance to the Province. In this however, he was sadly disappointed, for, notwithstanding his every effort in 1875 and 1876, to get additional aid from the Government, the County of Beauce, and Levis, he failed to impress upon them the fact that English capital could not be procured for railway enterprises, unless the people *directly benefitting by the enterprise* would exert themselves to a reasonable extent!

Can any one blame Mr. Reed for feeling intense disappointment at the apathy and indifference manifested by Government and people after receiving such liberal assistance from English capital, and *be it remembered* that the Levis and Kennebec Railway is the only line of railway in the Province of Quebec, whose securities have been quoted

on the London Stock Exchange. Apart from these disappointments, let me draw attention to the fact that in the prospectus issued, and upon which I made the negotiation for English capital, the traffic receipts on the first 30 miles were estimated (I made the calculations upon the same basis as established by engineers in Ontario and the United States, taking into account the population and products of the district to be served by the road) at \$180,000 per annum gross, equal to \$6,000 per mile, or considerably less than the Grand Trunk and other Canadian roads are now earning. Whereas the actual receipts on 30 miles only reached to about \$32,000 per annum or barely enough to pay the working expenses of the line, and upon the 45 miles there was no increase on that amount. I do not mean to doubt that so soon as timber interests improve, and the people accustom themselves to a railway as a means of communication, the receipts will be much greater; and indeed it is still my firm conviction that if ever the line is completed so as to connect with the United States railway system in Maine, and with the Quebec Central, and the immense area of unoccupied lands in the County of Beauce, admirably adapted for a settlement, and destined to become the garden of the Province, shall have been developed by its means, the Levis and Kennebec will become in time one of the most profitable and useful lines in the Province; but in the meantime we cannot wonder that Mr. Reed was sadly disappointed to find that after the first year's working, not one dollar could be provided out of the receipts to meet the interest on the debentures. I am of opinion that the receipts could have been largely increased had the terminus at Levis reached a more convenient point, and that at St. Joseph reached the village, but notwithstanding the efforts made, not a dollar of assistance could be obtained from either Levis or St. Joseph to effect the extension!

Owing to all these circumstances, it was impossible to continue the line, or to float the bonds of the second issue,

and Mr. Reed naturally declined to make further advances until more substantial aid was given by the Government and municipalities. It must be clearly understood that Mr. Reed never undertook to *purchase* the bonds, but that he would simply account to the Company at the rate mentioned in agreement, *when he could make a public issue*, and he was naturally led to believe that so soon as *bona fide* progress had been made the Government and municipalities would give some tangible assistance towards the enterprise to enable him to float the bonds and complete the line!

Last November, seeing the critical financial position of the Company and contractors, and knowing that the Provincial Legislature was about to meet, he thought it advisable to cross the Atlantic, (which he did at a heavy sacrifice to his own business in England,) for the purpose of laying matters before the Government, and to see what could be done towards completing the line. Immediately on arrival here he went up the line to St. Joseph (its present terminus) and from thence drove to St. George, and on his return to Quebec he came to the conclusion that, as the traffic receipts were only sufficient to meet the working expenses of the line, it would be useless to construct any more road *for the present*, unless :

1st. That the Government should substantially increase their assistance.

2nd. That the municipalities should show some interest in the undertaking and subscribe a moderate amount of aid.

3rd. That the completion of the American connecting lines to the United States boundary should be assured as soon as the Levis and Kennebec reached that point.

Mr. Reed considered that continuing the works under the present circumstances, with no possibility of floating more bonds on a line which was unable to pay the in-

interest on those already issued, would result in the creation of a heavy floating debt with no immediate prospect of paying it, and in the ultimate disgrace and failure of all connected with the undertaking. For these reasons he proposed the following plan to the Government, and in which the Company assisted him, viz:—

1st. That, so as to ensure the payment of the interest on the first £100,000 of debentures (towards which the present traffic receipts cannot contribute anything,) he proposed to aid in constructing the Quebec Central Railway from its present terminus at Weedon, some 45 miles, to form a connection at Scott Junction with the Levis and Kennebec, and he considered that the increased traffic from this source would fully cover the required interest, viz: £7,000 per annum!

2nd. That the Government should allow the subsidy to which the Levis and Kennebec Railway would be entitled on the uncompleted portion of their line, which would only amount to about \$60,000 (after deducting the assignment made in trust for the bondholders) to be applied to the Quebec Central Railway, that Company giving as collateral security debentures of that road at their market value, this loan to be returned as soon as bonds were sold!

This proposal the Government would not accede to, nor would they give any increase upon the total amount of the subsidy granted in 1875, but passed a measure proposing to grant temporary assistance to this and other roads, as follows. (It can readily be seen that this measure could be of little advantage to a road which it was necessary to complete *throughout*.)

(ASSEMBLY BILL, No. 105.)

“ An Act to amend the law respecting Subsidies in money  
“ made to certain Railways, and for other purposes.

“ **H**ER MAJESTY, by and with the advice and consent  
“ of the Legislature of Quebec, enacts as follows:

“ 1. The Lieutenant-Governor in Council, as soon as the following railway companies:

“ The Levis and Kennebec Railway Company ;

“ The Quebec Central Railway Company ;

“ And the St. Francis and Megantic International Railway Company ;

“ Shall have put the completed portions of their roads in good working order, to his satisfaction, may advance to them on account of their subsidy, 1o. a sum of \$1,000 for each mile thus completed. in addition to the sum of \$4,000 which they have received, or may now have a right to receive ; and 2o. out of the whole balance of the subsidy granted to them for any other portion of their road which they may hereafter complete,—another sum of such an amount, and in such a manner, that this advance being made, there shall remain to be paid not less than \$2,000 per mile upon the portion of the road to be hereafter completed, and that in any case, no more than \$6,000 per mile shall be advanced.

“ The Lieutenant-Governor in Council may require that the sum of \$1,000 per mile, advanced to the companies mentioned in the preceding section, on the completed portions of their lines, be used to perfect such portions of line, and to pay whatever they may owe for the right of way, labor and rolling stock.”

I may here state that Mr. Reed's idea was, that as the Quebec Central Railway had large municipal bonuses, it would be a tolerably easy matter to complete this line, and that when completed it would be comparatively easy to float the bonds in London *on a finished line of road*, and the completion of this Junction could have been made this year.

Failing in the carrying out of this plan, he was forced to look at matters in a different light. The contractors' debts amounted to about \$130,000, (since reduced to \$115,000 by the owners of rolling stock removing their property,) and the Trust Fund for the payment of interest on the debentures was exhausted, so that some decisive step had to be taken. He then proposed:

*1st.* That the contractors' labor and right of way debts (privileged) should be paid out of the advance to be made by the Government from the subsidy the Company was entitled to receive. This amount would be entirely absorbed for this purpose and would still leave the contractors' debts existing in amount to about \$100,000.

*2nd.* That he, Mr. Reed, would advance fifteen cents in the dollar in cash to pay to the creditors on account.

*3rd.* That a certificate of obligation should be issued by the Company to each creditor for the balance due him, and that so soon as the Company was in a position to continue its works, these obligations should be paid out of the proceeds of the third issue of bonds, and a guarantee to be given to that effect.

*4th.* That in the event of the creditors accepting this offer, all the stock of the Levis and Kennebec Railway Company held by Larochelle & Scott, by virtue of their contract, should be transferred to Mr. Reed.

The transfer of the stock was asked, so that he could control the enterprise, (and why not? seeing that he had put nearly all the money in it), and further to prevent its falling into the hands of a multitude of people who might give him trouble hereafter in the management of the affairs of the Company!

I conceive that his offer was a generous one, because he was not in any way liable for the contractors' debts, had already been induced by us to invest in what has proved *for him* a very unprofitable enterprise, and he did not require the stock to control the road, as he had only to foreclose the mortgage (bonds) he held, so as to obtain complete possession, and thus wipe out all claims of the contractors creditors and original shareholders !

The above proposals were *both* objected to in the strongest manner by my partner, Mr. Larochelle ; and the Directors of the Levis and Kennebec Railway Company, though approving of the proposed settlement, would not hear of the last proposition by which the control of elections and the road were to be given up to the man *who furnished the money and who has to be thanked for the 45 miles of road now constructed !*

Having failed to come to any amicable and reasonable settlement of the difficulties connected with the enterprise, Mr. Reed had no other recourse but to take legal proceedings against the Company, but not without giving the Directors due warning of his intentions, and demanding of them payment of the advances he had made in good faith.

About the 13th January, after having left the matter in the hands of the Hon. George Irvine, and a power of attorney with Mr. Cunningham, Mr. Reed left for England, I need hardly say, pretty well disgusted with his connection with the Levis and Kennebec Railway, his first Canadian enterprise !

On the 6th February, the Annual Meeting of the Shareholders of the Levis and Kennebec Railway Company was held (a full report of which appeared in the *Chronicle* of the 7th), and to say that the action of the Directors and the few shareholders present was ungenerous towards Mr.

Reed, would be putting the matter in a very modest light indeed !

The proxies of some 300 shareholders held by the President and Secretary, together with about half a dozen who were present in person and representing in all about \$40,000 in the aggregate, controlled the election. A persistent refusal to record the vote (3,200 shares) of the Wason Manufacturing Co., from whom the Company had purchased passenger cars to the amount of \$20,000, and who had accepted in *good faith* the stock as collateral security (but which the Secretary had not recorded in the Transfer Books) together with a refusal to record the vote of Larochelle & Scott's assignee, although he was armed with an order from the Court, enabled these gentlemen to do as they pleased, and elect whom they chose, and having elected the following Board of Directors. Messrs. E. Beaudet, J. B. Renaud, F. X. Lemieux, L. P. Demers, W. C. Carrier, Z. Audet, A. Fortier, G. O. Taschereau and Michael Cahill, the *Shareholders by Proxies*, proceeded to dispose of the Bondholders' property by *leasing* the whole line of railway to Mr. Sénécal, a perfect stranger to the enterprise, on the following basis :

LEASE.

" On the sixth day of February, one thousand eight hundred and seventy-seven.

" Before the undersigned Notary Public for the Province of Quebec, in the Dominion of Canada, residing at the City of Quebec, came and appeared.

" The Levis and Kennebec Railway Company, a body politic and corporate, here represented by François Xavier Dulac, Esquire, of St. George, County of Beauce, Alfred Morrisset, Esquire, Doctor, of Ste. Hénédine, and Jean Baptiste Michaud, Esquire, of Levis, for this purpose duly authorized by and in virtue of a resolution passed at a

general meeting of the shareholders of the said Company, held at Levis, the sixth day of February instant, of the first part.

“ And Louis Adelard Sénécal, Esquire, residing at Pierre-ville, District of Richelieu, Railway Contractor, of the second part.

“ Who have agreed to the following, viz: The said Levis and Kennebec Railway Company gives and transfers to the said Louis Adelard Sénécal, all the rights it might have by and in virtue of the contract entered into between it and Messrs. Laroche & Scott, with power to demand the resolution of the said contract, also all its rights to the rolling stock and other materials which are at present on the said line and its dependencies, as well that which belongs to it as that which it has leased with the right of keeping on the same conditions that it could itself have kept them, and for these presents to take and defend any judicial proceedings he thinks fit, provided he does so at his own cost.

“ And further, the said Company leases to the said Louis Adelard Sénécal, for twelve years from this day, all the said railway line that is built or to be built as mentioned hereafter; the said Louis Adelard Sénécal to *receive all the revenues* of the said line during the said lease.

“ The said Louis Adelard Sénécal obliges himself to execute with all possible diligence all the conditions required by the statute passed at the last session of the Legislature of this Province in order to obtain the subsidy thereby granted, and to pay all the divers sums that are owing for its completion for the right of way, labour and rolling stock, as required by the said statute; and that on payment of these said sums or part of them, he shall have a right to subsidy on the part of such corresponding to the amount he shall have paid as above mentioned.

“ And further, he will have the right of receiving the subsidies granted or to be granted by the Government and the municipal or private subscriptions during the term of the said lease.

“ And in consideration of the premises, the said Louis Adelard Sénécal will pay to the said Company, within the thirty days following the ratification of these presents, as hereafter mentioned, a sum of two thousand dollars, and a like sum every year at the same date during the term of the said lease.

“ The said Louis Adelard Sénécal will pay, on the first of every month, beginning on the first of June, a further sum of two thousand dollars until he shall have paid off the sum of one hundred and thirty thousand and ninety-eight dollars and eight cents for the debts mentioned and detailed in the statements A. B. C. D. F. G. H. and M. hereunto annexed.

“ And when the said Louis Adelard Sénécal shall produce receipts, discharges or transfers in his favor for any one of the sums mentioned in the said statements, the said payments of two thousand dollars shall be reduced in the proportion the sum so paid bears to the said sum of one hundred and thirty thousand and ninety-eight dollars and eight cents.

“ He shall have power also to contest, at his own risk, any of the said claims, and all such debts or part of such debts as he shall succeed in having dismissed shall be considered as a payment made by him, and credit will be given him in the aforementioned proportion.

“ The said Company binds itself to subrogate the said Louis Adelard Sénécal in all the rights and recourses it might have by reason of the debts paid by him.

" The said Louis Adelard Sénécal binds and obliges himself to keep in good order and in operation the part of the said line already built, and the line to be built as hereinafter mentioned, and to build it such that it will be received by the Government Engineer, within one year from this day, that part which is not yet completed to bring the terminus to the property in the Town of Levis known as "Shaw's Property," on the condition that the Town of Levis or the Company furnish the right of way from the present terminus to the said "Shaw's Property."

" And the said Louis Adelard Sénécal obliges himself further to finish and have received by the said Engineer within the same delay, that part of the said line from the parish of St. Joseph, to and in the parish of St. François, namely, about ten miles, provided the municipal or private subscription in the last mentioned municipality amount to the sum of ten thousand dollars.

" He will also have the right of taking the rails that are deposited with La Banque Nationale as collateral security on his paying the amount for which they are given as security.

" The said Louis Adelard Sénécal obliges himself to make and build, and have accepted as aforesaid, within three years from this day, the thirty-five miles of line that remain to be built from the place reached as aforesaid at St. François to the frontier, provided that the Government subsidy, and the municipal and private subscriptions granted or to be granted for this part of the line, amount together to the sum of *ten thousand dollars per mile*.

" The said Louis Adelard Sénécal obliges himself to use all possible diligence to have these presents ratified by the creditors of the said Larochelle & Scott, and in default of his obtaining the consent of the majority in number and in

amount necessary for this purpose within thirty days after the legal appointment of an assignee to the estate of Laroche & Scott, and of producing a legal resolution, these presents shall be considered as never having been made without recourse for damages or otherwise by the said Louis Adelard Sénécal against the said Company, nor by the latter against the said Louis Adelard Sénécal, except in the case of his failing to execute any of the obligations imposed upon him.

“ And in the case when the appointment of the said assignee could not be made before the first of March next, the terms of payment above mentioned, and each of them, shall be postponed for a time equal to the time that shall elapse between the first of March and the appointment of the said assignee, and the dates for the completion of works shall also be extended an equal period of time. And at the expiration of the said lease, the rolling stock of the said line and its accessories, which now belong to the Company, and are on the line shall then belong to them.

“ Where the said Louis Adelard Sénécal shall fail to make any one of the aforesaid payments, and, also, where he shall fail to complete at the given periods above mentioned, any of the parts of the line above mentioned on the aforesaid conditions, the Company can give him notice of payment, and if he does not execute his obligations within the thirty days following the notice, the Company shall have the power to resume the line and all its rights by these presents now given, and all the works done, payments made and the materials then placed on the line shall be forfeited by the said Louis Adelard Sénécal, and will return of right to the Company.

“ At the expiration of the said lease the said Louis Adelard Sénécal will leave on the line a rolling stock equivalent to what the Company now possess, and which is on the line and its dependencies.

"Thus done and passed, at the Town of Levis, under the number two thousand nine hundred and seventy-four, of the minutes of Mtre. Jacques Auger, the undersigned Notary.

"And the parties acting as above stated, have signed these presents, and the seal of the Company affixed after the reading thereof."

(Signed,)	L. A. SÉNÉCAL,
"	DR. ALF. MORRISSET,
"	F. X. DULAC,
"	J. B. MICHAUD.
"	JACQUES AUGER, N.P.

A true copy of the minute remaining )  
of record in my office. }

(Signed,) JAC. AUGER, N.P.

Before proceeding further to consider this absurd agreement, I must do all credit to one of the Directors elected, by appending the following notice which appeared in the *Chronicle* of the 14th February, and which needs no comment.

#### NOTICE.

" I saw with surprise my name in the *Chronicle* of the  
" 7th instant, as elected on the new Board of Direction of  
" the Quebec and Levis Railway Company, and have  
" awaited, in vain, an official notification of the same, in  
" order to resign a trust to which I had been appointed  
" without my knowledge or consent, I therefore beg to  
" notify all those interested, and the public generally, that  
" I hereby resign as Director of the Levis and Kennebec  
" Railway Company, and have nothing to do with the same.

"Quebec, 13th February, 1877.

(Signed.) "J. B. RENAUD."

*Let not the reader lose sight of the fact that this lease was countenanced, and to all intents and purposes signed by several of the very Directors who knew that Mr. Reed had refused to advance one cent towards the enterprise while a lease existed with the contractors, and who themselves were parties to a rescission of the lease, and substituting therefore a contract prepared by Mr. Reed, and knowing that he had positively stated that bonds could not be sold on any railway in the face of a lease existing; I say in the face of these facts, the above lease was entered into with Mr. Sénécal.*

But what shall I say of the Lease? What will be the result in all future attempts to raise capital in England, for railway purposes, when we find that the first claimants' (bondholders) interests are sacrificed and ignored? Can we see a clause in this document, by which provision is made for the payment of the interest on the bonds? Can we see any provision made for the payment of the principal £200,000? None; no reference is made to these items, they are mere trifles to those who are parties to the lease! And the earnings of the road, which had been mortgaged to the bondholders for the payment of interest and sinking fund, are given to the lessee without any stipulation, for *twelve years*.

The payment of £14,000 per annum *interest*, not to speak of a sinking fund to meet the debentures at maturity, are simple trifles which the Company or Lessee never thought of! Will a court of Law sustain a proceeding of this kind? I hope not, for the sake of the country!

Let us look at another important clause of this document: "The lessee will construct the line beyond St. George (35 miles), provided only that \$10,000 per mile is guaranteed to him by Government and Municipal aid!" This was exactly what Mr. Reed had required. If the Government, Municipalities, or people had guaranteed him \$10,000 per mile on

this remaining section, none of the present difficulties would have occurred, and the road would have been built, and the late contractors established as a solvent firm!

If \$10,000 per mile could have been realized, why change the contractors? What has Mr. Sénécal done to deserve this emolument voted him by shareholders representing \$40,000 worth of stock, as against an interest of £200,000 which the English capitalists hold the Company liable for?

The Annual Meeting held, the lease signed by three shareholders representing 75 shares (\$750) of stock, and notwithstanding the strongest opposition on the part of the legal advisers of the English Capitalists against the lease and the action of the Company, the road is taken forcible possession of by the pretended lessee, in the face of a guardianship, and the owners of the road forsooth have got to wait the action of the courts to obtain justice and possession of their property!

What the results of such an action will be as effecting further English subscriptions towards railway or other securities of the Province of Quebec, I leave the public to judge.

I have little more to add, but I wish to place myself right with all my friends who have helped me in my struggle with this enterprise! I do not cast a reflection against my late partner as far as the work apporportioned to him is concerned, and must bear testimony to his untiring energy and perseverance in the uphill struggle we had to undergo.

The stand I have taken at the present time in connection with the Levis and Kennebec troubles, is simply that I propose to support the *bridge that carried me over*, and if under the circumstances, I can do nothing else, I will at least show gratitude towards those friends in England who have reposed confidence in me.

As I have given a true and unvarnished history of the Levis and Kennebec Railway and its present difficulties, in which are given undeniable facts, I come to the question, what have I made out of it after five years of work and anxiety ?

The emoluments have been so great that I deem it advisable to classify them !

1st. I have drawn from the funds provided by *Mr. Reed* \$1,500 per annum, (Mr. Larochelle the same) a considerable sum out of which still stands to my credit in the books of the late contractors !

2nd. I have had an action taken out against me for conspiracy by the new lessee because I was trying to protect the interests of my friends who advanced the money to build the railway !

3rd. And lastly, I have been subjected to criticisms both by the French press and people, as having been influenced by a national feeling to overthrow the present directorship, and place it entirely under English control, and have even been accused by an anonymous writer in the *Canadien* of a disregard for the interests of my creditors in opposing the settlement which Mr. Sénécal proposes to make with them.

Now the facts are, that Mr. Reed proposed not to interfere in any way with the interests of the stockholders of the Company, and only to make such a slight change in the Board of Direction, (he proposed to re-elect the President and officers of the Company, and all the members of the old Board of Directors except two), as he thought would best serve the advancement of the enterprise, so I fail to see why there should be any national feeling in the matter. Then as to my opposition to Mr. Sénécal's proposition to settle with our creditors, it has arisen because I doubt that gentleman's ability to carry out this arrange-

ment; in the first place, because I do not think the agreement which gives him the profits of working the road—the property of the bondholders—is legal, and secondly, because I am confident that even if it were so, the profits of its working would not be sufficient, for some years to come, to pay the \$2,000 per month which Mr. Sénécal promises to pay, supposing that the heavy engagement he has undertaken would allow him to devote that sum for this purpose. On the other hand I believe that Mr. Reed's proposition, if accepted, will result in the payment in full of these creditors long before the expiration of the five years and a half which it will take to complete Mr. Sénécal's proposed mode of payment.

---

I cannot conclude this pamphlet without expressing my deep regret at the unfortunate position which the affairs of this once promising enterprise have taken; a position of antagonism between its different interests, which I believe to be as unnecessary as it is injudicious. The finest country in the Province of Quebec, a district rich in timber, in minerals and in soil, and containing the largest area of land suitable for settlement which yet remains available, awaits only the completion of this railway to become developed and peopled. Surely it would have been a wise course for all who are interested in the enterprise to have pulled together to achieve this end! Surely it is difficult enough in this poor country to induce capital to help us, without endeavoring to treat it unfairly, or to quarrel over so small a question as has caused the present trouble, which will, I fear, postpone for a long time, if it does not entirely defeat, the completion of an enterprise so valuable to the city and province of Quebec.

My story is finished, but I cannot close without appending the following editorial contained in the Toronto weekly

*Globe* which rather meets the case at issue, and entitled "The Construction of Railways."

---

#### THE CONSTRUCTION OF RAILWAYS.

The *Toronto Globe* says:—It is sometimes urged that railways which have been made to a very great extent by means of bonuses from municipalities ought to belong permanently to those who have thus supplied a large portion of the cash. The fallacy of this can be seen without much difficulty. Railways are now to all practical purposes the common roads of every country laying claim to civilization and progress. Without them the inhabitants are at a grievous disadvantage. The sparser the population and the newer the country the more the necessity for such roads, and the less the likelihood of the enterprise being at once self-supporting. The object which the great mass of the people have in view in helping a railway is that the road should be made and kept running. Let that be secured, and they have full return for their money. If Government gives help, it is for a similar reason. But the ordinary shareholders, and those who have advanced money on the roads' bonds, are in a different position. They get no return unless they have their capital secure and their interests forthcoming. Reason and fair play alike say that when they take the greater part of the risk they should have the profit. In spite of the bonus assistance, and Government advances, most of the railways not strictly public works under national control, would never have made a real start without private funds put into them. Suppose that, utterly beggared, they had been brought to the hammer and sold for what they would bring, there would be no doubt at all about the reasonableness and propriety of the purchasers exercising a controlling influence over them, so far as the previous engagements of the promoters would allow. They

could only purchase what the other had to sell, and if the property had been cumbered with certain conditions as to the rates of freight and the running of passenger trains at certain times and for certain fares, on account of the public help previously received, of course the purchasers would be bound by these conditions exactly in the same way as the original managers and directors were. What then are railway bondholders in many cases but simply persons occupying an analogous position to purchasers under a deed of sale? And who has a right to object to their occupying such a position and exercising such an influence unless those who are ready in the interest of the public to buy them out and allow them to profit by the undertaking as well as the other contributors to its completion? The bonus givers have all they want when the line is in working order and carrying their goods and promoting the development of their district. The Government has all it wants when the country is benefitted. What do the share and bond holders get? The risk of losing all they have put in or the chance of making the enterprise bye-and-bye a paying one after possible years of anxiety, and after putting additional sums into the concern in order to prevent losing all they had previously ventured.

---

I now leave the matter in the hands of the public, feeling confident that an impartial judgment will be rendered.

CHAS. A. SCOTT.

Quebec, 29th March, 1877.

BIBLIOTHÈQUE  
SAINTE-OTILIE

