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"A Debt of Honour"

THE CASE OF THE **CHIGNECTO RAILWAY COMPANY**

A LETTER TO
The Right Honourable
SIR WILFRID LAURIER, G.C.M.G.

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OTTAWA, MAY, 1908

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CHIGNECTO MARINE TRANSPORT RAILWAY
COMPANY.

TO THE HONOURABLE THE MEMBERS OF THE
SENATE AND HOUSE OF COMMONS:

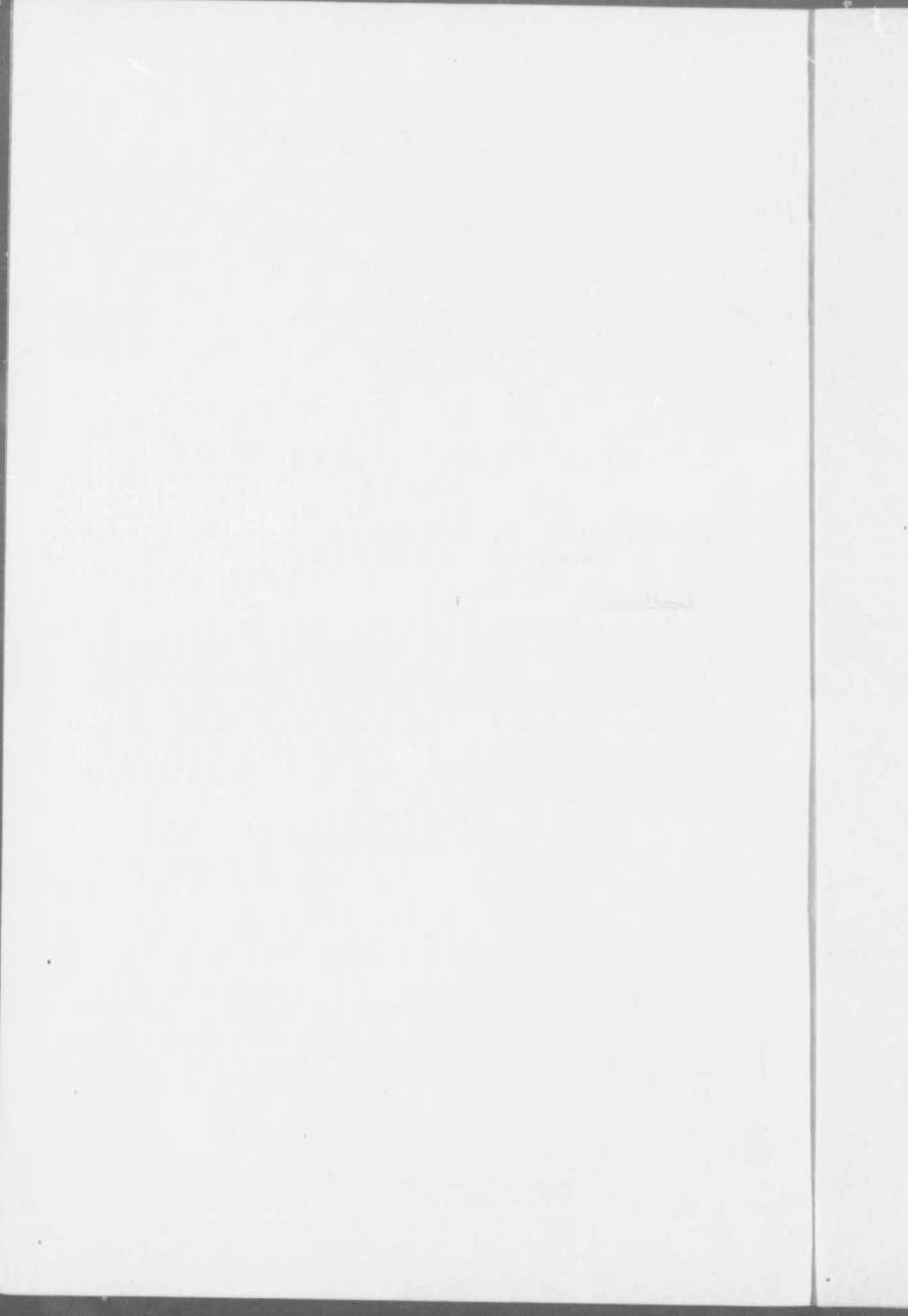
OTTAWA, MAY, 1908.

Gentlemen,—

I recently had the honour of sending you a printed Statement of the Company's case, and herewith I add a letter written since then to the Prime Minister. I state therein some further facts showing that the Railway was a Government scheme; that the last Government would have compensated the bond and shareholders, and that nothing remains to settle between the Government and the Company, except the amount that should be paid to it and for that we are willing to accept the award of any impartial party.

I am, Gentlemen,
Your obedient servant,

A. D. PROVAND.



RIDEAU CLUB,

OTTAWA, 7TH MAY, 1908.

TO THE RIGHT HONOURABLE

SIR WILFRID LAURIER, G.C.M.G.,

PRIME MINISTER,

OTTAWA.

CHIGNECTO RAILWAY COMPANY'S

CLAIM.

SIR,—On several of my recent visits to Ottawa pressing this claim on the Government, you have referred me to the Hon. Mr. Fielding, Finance Minister, and expressed yourself as being willing to adopt and act upon any arrangement for a settlement which he might come to with me. I have seen him many times, but without being able to arrive at even any basis for a settlement. I therefore beg with much respect to address you on the subject and appeal to you on behalf of the investors not to permit the question to hang over as it has done from year to year, but to meet me in arriving at some method of closing this unfortunate business in a manner that would be at least fairly satisfactory to those concerned.

There is no difference of opinion as to the facts nor dispute as to the Company having an equitable claim on the Government. These have been repeatedly admitted. The only question to settle is the amount the Company is fairly entitled to receive and I shall agree to almost any form of reference or arbitration to determine this.

Nor is there any question whatever of the Railway being a Government enterprise. I need not here refer to Acts or quote official statements of the last Ministry, of which there are many, and all of which are as binding on the present administration as they were on those who made them. Some of these are set out in a statement of the Company's case, sent to Senators and Members a few days ago, of which a copy is forwarded herewith.

On this point I quote your predecessor, the Hon. Alexander Mackenzie, who, when he took office in 1874 and met Parliament, placed the following paragraph relating to the proposed Bai Verte Canal in the speech from the Throne:—

"The report of the Chief Engineer of the Department of Public Works on the proposed canal between the Gulf of St. Lawrence and the Bay of Fundy will be submitted for your consideration."

This proves the canal was a Government promoted scheme, indeed it would have been constructed by Mr. Mackenzie's Government if they had not been in doubt regarding the cost. And the Ship Railway was adopted by the Government in place of the canal because it was better; was to cost only half as much and the money was to be obtained from British investors, to enable the Government to save their own.

And further. When Mr. Ketchum went to London with the acts of incorporation and subsidy, Mr. Mackenzie said in the House he would, no doubt, obtain the capital with the guarantee of the Canadian Government—a conditional guarantee—that the Company would on completion of the railway receive the subsidy.

That the Government was connected with the Company in a promoting sense was stated by the Rt. Hon. Sir Richard Cartwright in the House on the 29th May, 1891, when a question relating to the Company was before it. He then said:

"If the scheme proves a failure, I have no doubt the credit of the Dominion will be, pro tanto, injured, and very largely so from the fact that the Government has associated themselves with this railway."

The above statement is both clear and true. The promotion was done by the Government. No one in England took any part whatever in originating the enterprise. We did not seek the business, it was pressed on us by the Government, until we were unfortunately induced to supply the money.

When the question was brought before the House by Mr. Logan on the 10th June, 1903, Mr. Fielding said:

"This Government took the ground that whatever might be said in favour of the scheme in earlier days—and I do not wish to go into that—it was now pretty well admitted by business men that the scheme was not a sound one, and therefore we felt that we should not give it a new lease of life in order that other people might be induced to put money into it and throw good money after bad. **That left the question of compensation** and from that day to this that question has been pressed on the attention of the Government, but up to a recent date the sums mentioned, which they considered proper compensation, were so very large that they did not seem to come within reasonable limit, and we did not feel like presenting the matter to Parliament."

Here Mr. Fielding states distinctly that when they refused to vote the subsidy "that left the question of compensation" to arrange, and nothing more. I therefore earnestly appeal to you to agree on some way of settling the amount.

Mr. Fielding also says that the Government did not revoke the subsidy to the railway in order to protect "other people who might be induced to put money into it," but this refusal ruined the Company whose money was already in it, and which a revoke would have saved. The refusal to revoke the subsidy was not a disinterested act, for by doing so the Government kept the \$3,500,000 which would have been due to the Company on completing and operating the railway.

It is impossible to conceive a stronger case for equitable and generous treatment, more particularly in view of the fact that the Company

expended and has lost about \$4,000,000 on the railway—a Government scheme entirely—while the Government is in pocket, with interest, more than a million dollars collected in duties and railway rates from the Company.

Mr. Fielding said the unsoundness of the scheme was the reason for withholding the subsidy. But it is equitably impossible for the Government to make the Company responsible for a scheme which was their own entirely. Everything said in regard to unsoundness strengthens our claim, for the scheme was none of ours. The worst that can be said of it makes our claim for compensation all the more irresistible. The Government examined, adopted, incorporated and subsidized the railway and afterwards amended and re-amended the Acts doing so during seven sessions of Parliament—from 1882 to 1888. On the faith of these Acts we expended about four million dollars on the railway, and after having done so, it is surely impossible for the Government to endeavour to attach any responsibility to the Company in regard to the commercial unsoundness of the undertaking.

The expected traffic was taken from a statement prepared in the Government office and signed by George Johnson, the Government Statistician. And even although it might afterwards have been shown that the figures submitted were entirely misleading and that there would have been but little traffic, I beg to submit that this would not justify the Government in withholding the Company's subsidy. The Company would have been the loser, not the Government, which had contracted to give a fixed amount as subsidy which limited what they could be called upon to pay.

The Government knew the railway could not be self-supporting, and for this reason they voted the subsidy. It was on all fours with innumerable other enterprises which the Government has subsidized because they could not in the beginning be profitable. Depriving the railway of its subsidy on such grounds would justify the Government in withdrawing the subsidies they pay on the manufacture of iron or steel, or on mining lead, which are paid because these industries would not be profitable without them.

The last administration intended to compensate the Company and on the 10th June, 1903, the Hon. Mr. Haggart, formerly Minister of Railways, when addressing the House commented on the strong moral claim of the Company, and said that:

"Sir Charles Tupper if he had continued in the Government of this country would have brought down a measure for the purpose to a certain extent of indemnifying these people for the money they had put into the undertaking."

The confidence the Company showed in the Government and the Acts of Parliament is proved by the fact that no one connected with the Company has been in Canada except myself. The Company rightfully looked on the Acts and the statements of the Government

as all-sufficient and trusted to them as implicitly as our investors are now trusting the Acts passed for the Grand Trunk Pacific Railway in reliance on which we have recently supplied more than \$40,000,000 to build the line.

The bonds and shares of the Chignecto Co. were largely taken by financing houses, bankers, trust companies and other investing firms. And except in cases of death or settlement they still hold them for the most part. The trust companies have many thousands of shareholders and there is no doubt whatever (evidence of which came before me just previous to leaving London on the 21st of March) that many of these avoid Canadian securities and will continue to do so as long as the Chignecto claim is unsettled. To what extent this abstention exists, it is impossible to estimate, but I am sure it is considerable. A fair settlement of the Company's claim would remove these objections to Canadian securities in their minds and give a result of many times more value to the Government and to Canada than all the money that may be awarded us.

We make no legal claim and are without local influence of any kind, which all the more entitles us to equitable treatment. I beg to submit that our claim is one that would be most fairly appraised by a neutral party, and we will accept an award so arrived at.

I, with due respect, therefore again appeal to you to favourably consider this petition and agree with me in some method of settling the only question between the Government and the unfortunate bond and shareholders, namely, what amount they are to receive.

I am, Sir,

Your obedient servant,

A. D. PROVAND.



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