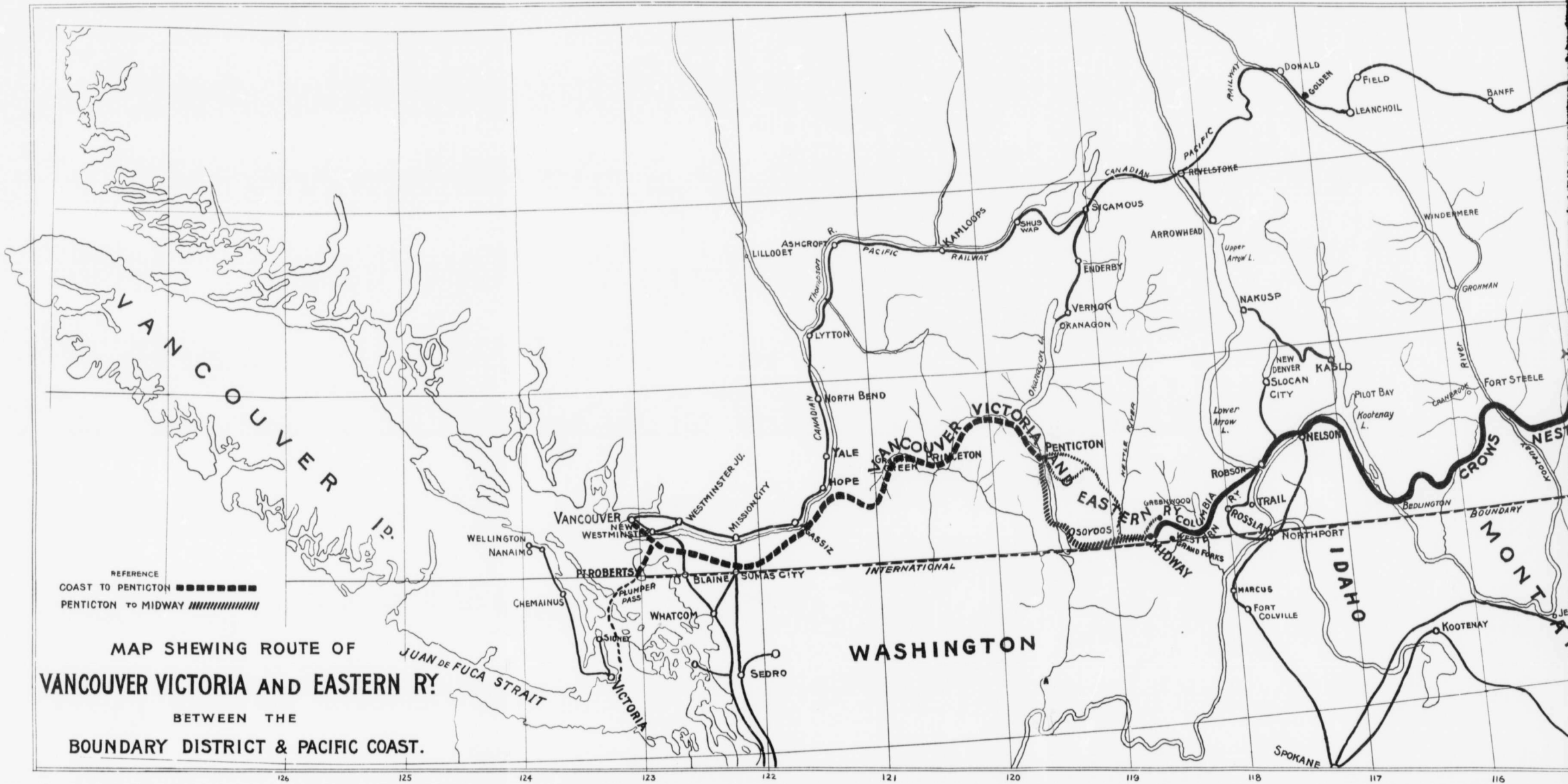


MacKenzie and Mann
Contracts.

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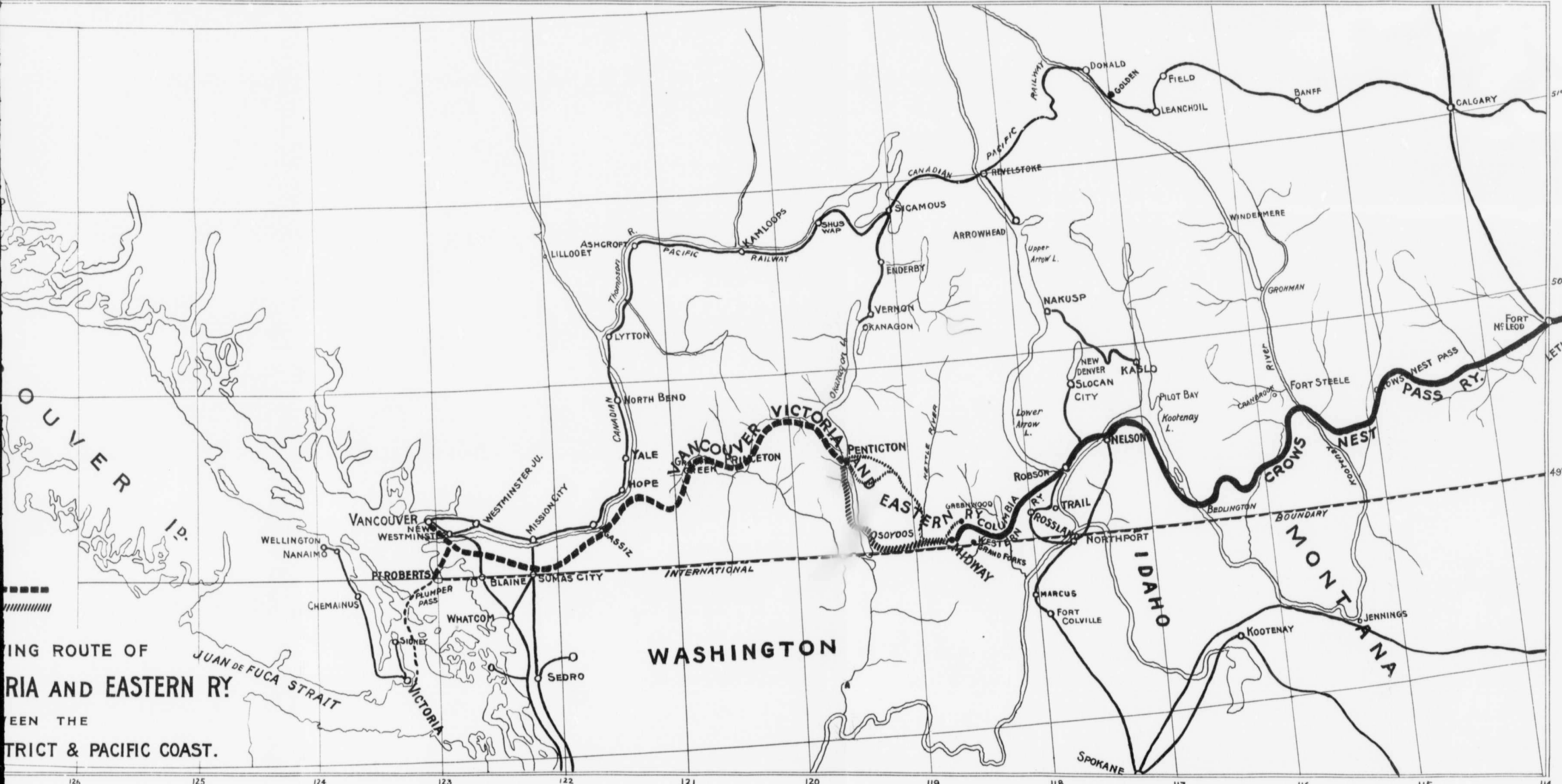
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MAP SHEWING ROUTE OF
VANCOUVER VICTORIA AND EASTERN RY.
 BETWEEN THE
 BOUNDARY DISTRICT & PACIFIC COAST.

REFERENCE
 COAST TO PENTICTON **—————**
 PENTICTON TO MIDWAY **—————**

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ROUTE OF
 AND EASTERN RY.
 BETWEEN THE
 DISTRICT & PACIFIC COAST.

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STATEMENT OF FACTS

RELATING TO THE CONTRACTS BETWEEN

Mackenzie & Mann and The Government

OF THE PROVINCE OF BRITISH COLUMBIA.

FOR THE CONSTRUCTION OF A

Railway from the Pacific Coast to Midway in the said Province.

In order to properly understand the subject-matter of this statement it is necessary to describe shortly that portion of the Province of British Columbia known as the Boundary Creek District.

This district—as it is commonly known—extends from a point a short distance west of the Columbia River, where it crosses the International Boundary line in British Columbia, westward to a line drawn parallel with Osoyoos lake; and from the International Boundary line on the south to a line which would be parallel with the northern portion of the Slocan Mining division on the north.

It is known to contain a vast amount of very rich mineral. It is expected that its output will very shortly equal that of the district of Kootenay, and there is considerable ground for the belief that it will eventually produce more ore than both the Kootenay and Slocan districts combined. While in the Boundary district the ore is not of so rich a quality as that contained in the Slocan or the Kootenay, it is very much greater in bulk; and it is a well known fact that the production of a large quantity of low grade ore requires a much greater population, and is infinitely better for a country from a manufacturing and commercial standpoint than is the production of an equal value of high grade ore.

A number of mines have been discovered and developed to a certain extent in the neighborhood of Greenwood, Midway, Grand Forks, Cascade City, Camp McKinney and other places near the international boundary line, in the Boundary district.

The only means of transporting merchandise, machinery, etc., to these points heretofore has been by a wagon haul from Penticton,

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about 70 miles, or from Marcus, in the State of Washington, which is about the same distance.

In the year 1897, a charter was granted to the Columbia & Western Railway. This road traversed the Boundary country from the Columbia river to Pentiction, and its construction was divided by the Act into a number of sections as follows:—

- (1.) A line extending from the mouth of Trail Creek on the Columbia River to the town of Rossland;
- (2.) A line from Trail to Robson along the Columbia River, a distance of twenty miles;
- (3.) A line from Robson to Christina Lake, in the Boundary country;
- (4.) A line from Christina Lake to Midway;
- (5.) A line from Midway to a point half way between Midway and Pentiction;
- (6.) A line from the last mentioned point to Pentiction.

These sections were to be constructed within the following periods:—

- One and two before the end of 1898;
- Three before the end of 1899;
- Four before the end of 1900;
- Five and six before the end of 1901;

A land grant of 20,000 acres of land a mile was provided for this railway, and was to be earned and granted in the following manner:—

Within two years after the passage of the Act, that is to say, before the 17th of April, 1898, the Columbia & Western Railway Company were bound to locate their line, and file a projection thereof, with the Commissioner of Lands and Works, and to lay off blocks of land on each side of the said located line, having a frontage of six miles on the railway by a depth of sixteen miles. The Company were entitled to select every alternate block of land for their own use. If it should be that an insufficient quantity of land to make up the 20,000 acres a mile was thus provided, or if in the selected blocks prior alienations by the Government decreased the quantity which the Company were entitled to, the Lieutenant-Governor in Council was empowered to make up the deficiency by other grants of land in the said districts, and as far as possible in blocks contiguous to the railway.

The selection having been made as aforesaid, the land was to be granted as follows:—

When section One was completed the land under that section was to be granted;

When section Three was completed the land under that section was to be granted;

When section Five of the railway was completed, the land earned under section Four was to be granted;

And when section Six was completed, the lands earned under sections Five and Six were to be granted.

In the year 1897 the Government inaugurated a comprehensive railway policy, under which it was intended to grant aid to a number

of railways which were projected throughout the Province. This policy was based upon the following propositions:—

(1.) The rapid development of the mineral districts of British Columbia and the outlook for a much more rapid development of the placer districts in the northern parts of the Province, and in the North-west territories of Canada, necessitated the early construction of a large number of railways;

(2.) While the construction of these railways was necessary to the proper opening up of the mineral districts of British Columbia, they would require to be built over very difficult and mountainous regions, and could not in the ordinary course of things be constructed without liberal donations from the public funds;

(3.) The grant of the aid required in order to ensure the building of those roads within a sufficiently short time to assist the early development of the country would be too great a strain upon the financial resources of the Province;

(4.) While the opening up of these districts would contribute largely to the material advancement of the Province, the trade to be thereby developed was also a matter of great importance to the Dominion as a whole;

(5.) The Province of British Columbia was contributing yearly very large sums to the Dominion revenue, and prior to the date in question had received comparatively small sums in aid of public works in the Province;

(6.) Therefore, the Government decided to grant aid to railways of this description, provided that the Dominion would respond by assisting the same roads in sums which would bear some proportion to the excess of revenue contributed by the Province to the Dominion over the amount paid back by way of financial assistance to public works in British Columbia.

This policy of the Government was enunciated in an Act passed in the year 1897, chapter 24, and cited as the "British Columbia Public Works Loan Act, 1897."

The preamble of this Act is couched in the following language:

Whereas, the existence of extraordinary mineral wealth has been substantiated in many parts of the Province, and there are valid reasons for believing that there are numerous districts in the Province as yet unprospected, which will also prove rich in mineral wealth, and that an extensive immigration and increase of population may be anticipated if means of communication are afforded by railways, roads and other works for developing the natural wealth which exists both in minerals, timber and farming land:

And, Whereas, it is expedient that the trade and commerce of British Columbia accompanying such development and increase in population should, as far as possible, be retained in the Dominion of Canada, which will be best effected by the early construction of such railways, roads and public works:

And, Whereas, the addition of every unit of population will give an increase of revenue, both to the Dominion and Provincial Governments, but in a proportion approximately two to one in favor of the Dominion as compared with the Province, while the charges on the Province for administration and collection resulting from such increase in population are greater than those upon the Dominion, and the advantages to be reaped from the execution of such works would therefore constitute a strong claim upon the Dominion for assistance therein:

And, Whereas, it is expedient that this Legislature should make immediate and adequate provision for subsidizing railways of the class above mentioned, and with that end a loan be authorized.

The Act then proceeds to authorize the Lieutenant-Governor in Council to borrow a sum of two and one-half million dollars and provides for the following among other railway subsidies:

- (1.) From Pentiction, in the Boundary country, to Midway, a distance of 100 miles, \$4,000.00 a mile;
- (2.) From English Bluff on the Pacific Coast to Pentiction, a distance of 230 miles, \$4,000.00 a mile.

The Act further provided that the Lieutenant-Governor in Council might enter into all agreements with any person or company undertaking the construction of any railway to which a subsidy was attached by the Act, which might be necessary or convenient for the due construction and operation of such railway; and provided that the agreements should be subject to certain conditions specified in the Act.

In the year in which this Act was passed a railway was incorporated by the same Legislature, called The Vancouver, Victoria & Eastern Railway and Navigation Company. The corporation thus formed was authorized to construct a road from a point on English Bay, near the City of Vancouver, along the Fraser river through the Hope mountains by the most feasible route, to the Columbia river and the City of Rossland. This road from Pentiction to the Columbia River would in the natural course of things parallel the Columbia and Western through that portion of the Boundary district covered by its charter.

In the year 1898, further legislation along the line indicated by the Loan Act of 1897 was brought in by the Government. They introduced a Bill called the "British Columbia Public Works Loan Act (1897), Amendment Act, 1898," by which they authorized the Province to borrow, (instead of the sum of two and one-half millions of dollars mentioned in the Loan Act of 1897), a sum not exceeding five millions of dollars, and provided for the following among other railway subsidies:—

- (1.) From Pentiction to Boundary Creek district, 100 miles, \$4,000.00 a mile;
- (2.) From Robson to the boundary, 80 miles, \$4,000.00 a mile;
- (3.) From English Bluff to Pentiction, 230 miles, \$4,000.00 a mile;
- (4.) And for a line of railway of not more than 400 miles in length from Teslin Lake to a seaport in British Columbia, \$4,000.00 a mile;

The Act then repealed the section of the former Act relating to contracts, and substituted the following section:—

"The Lieutenant-Governor in Council may enter into all agreements with any person or company undertaking the construction of any railway to which a subsidy is hereby attached, which may be necessary or convenient for the due construction and operation of such railway, which agreements shall in every instance, in addition to the other matters therein provided for, contain the following provisions":

These provisions were, among others, as follows:—

That unless the railways from Pentiction to Midway and from Robson to the Boundary Creek district were commenced before the 8th day of August, 1898, and unless the railway from English Bluff to Pentiction was commenced before the 8th day of May, 1899, the respective subsidies should be forfeited; and further, that the subsidies should also be forfeited unless the work of construction upon such railways, after commencement, was duly and diligently prosecuted to the satisfaction of the Lieutenant-Governor in Council.

In pursuance of the powers conferred by the statute the Government agreed with Mackenzie & Mann for the construction of the railways from English Bay to Pentiction, and from Pentiction to Midway, and also of a railway from Teslin lake to the sea coast of British Columbia; these agreements were reduced to writing, and were duly executed and delivered.

Copies of the first two of these agreements are re-printed in Appendix "A" hereto.

The contracts in question provided that the contractors should be bound in the terms of the security given, and this security provided that they should not be compelled to proceed with the work if they could not obtain a bonus from the Dominion Parliament.

At the time of the execution of the contracts the contractors pointed out to the Government that no survey had as yet been made of the railways in question, and that no construction could be satisfactorily commenced until the survey was completed, and also that the expenditure of a large sum of money upon construction itself, prior to the application to the Dominion for a subsidy, would be unwise, and also that survey work had always been held to be *bona fide* and continuous construction, within the meaning of similar subsidy Acts.

In consideration of these matters, the Finance Minister and the Attorney-General, who were authorized by Order in Council to represent the Government in this matter, agreed with the contractors that if they proceeded, on or before the day mentioned in the Act for commencement, to place an ordinary survey party on the proposed lines of railway, and to put a construction force at work near Pentiction, such work would be considered by the Government as a diligent prosecution of the construction of the railway within the meaning of the contract.

Immediately after the execution of the contract, Mackenzie & Mann proceeded with their survey and other work on the line from Pentiction to Midway, and continued the same without any interruption up to the time of the repeal of the Loan Act, hereinafter referred to. Their cash expenditure from the 15th of June to the 31st of October, 1898, in connection with the work amounted to \$12,807.68, and between that date and the repeal of the Loan Act Mackenzie & Mann also expended the further sum of about \$7,000.00.

In the beginning of 1898, the Canadian Pacific Railway acquired the Columbia & Western charter, which has been previously mentioned, and in that year they also obtained an Act of the Dominion Parliament, (Chap. 61) sanctioning their purchase of this charter and declaring the railway to be a work for the general advantage of Canada.

During the summer of 1898 a provincial general election occurred, with the result that the former Government were dismissed from office, the Finance Minister of the new Government being the Hon. F. Carter-Cotton, and the Attorney-General the Hon. Joseph Martin.

The events which followed the accession to office of the present Government give color to the suggestion that it had been determined to cancel the Mackenzie & Mann contracts at all hazards.

In the month of August, 1897, an informal interview took place between Messrs. Mackenzie & Mann and the Attorney-General and

Finance Minister, when it was suggested by the Attorney-General that there might be some doubt as to the validity of the contracts in question by reason of the contractors not being bound to carry on the work unless they received a Dominion subsidy.

This objection, however, was not insisted upon, but was merely mentioned as a passing observation upon the form of the contracts themselves, nor was any suggestion made that, up to that date, the work had not been prosecuted by the contractors diligently to the satisfaction of the Government.

The contractors took legal advice and were satisfied that the contracts were in accordance with the statute and informed the Government of this opinion, and that they were proceeding with their work. Matters stood in this shape for about two months.

The Minister of Finance is the editor and chief proprietor of a paper called the "News-Advertiser," published in the City of Vancouver, and the policy of taking this work away from Mackenzie & Mann was foreshadowed in an editorial published in that paper on the 12th of October, 1898, and which reads as follows:

TRADE WITH BOUNDARY CREEK.

The visit of Sir William Van Horne to Vancouver should be taken advantage of by our merchants and shippers to point out to him the importance that it will be to the Coast cities to have good facilities for communication with the Boundary Creek district. The whole commercial and industrial situation in that important section of the Province will be changed within the next few months by the advent of railways. The Canadian Pacific Railway Company is working all the men it can engage on the line from Robson to Midway and notwithstanding the difficulties of construction on a part of the line—a long tunnel being one of the obstacles to the rapid completion of the road—it is confidently expected that it will reach Midway by the beginning of next summer. That means that the conditions under which mining is now carried on in the district will be revolutionised. It will be possible to get heavy machinery into the district at moderate transportation charges as well as all the supplies needed in the mining towns. The cost of opening up the immense deposits of low grade ore which are known to exist there, will be so reduced that it will pay to develop properties that cannot be profitably worked at the present time. If it is found desirable to erect smelters in the district, it will be possible to lay down coke from the Crow's Nest Pass coke ovens at a very reasonable figure, or to carry the ore to smelters in other parts, should that course seem to be the more advantageous. In any case it means that the Boundary Creek district is about to enter on a new era—one for which its inhabitants have long waited, believing as they do that railway communication is alone necessary to ensure great developments and consequent prosperity.

Are the merchants of Vancouver alive to the possibilities of the new field which will then be open to those who have the enterprise to secure its trade? The gap between Penikese and Midway—by the Shuswap and Okanagan Railway route from Sicamous on the Canadian Pacific Railway—is not likely to be closed up for another year, the owners of the Vancouver, Victoria and Eastern Railway Company's charter having admitted that they will not build that piece of road unless they can get a substantial subsidy from the Dominion Government in addition to the \$4,000 per mile subsidy from the Provincial Government. As a result of this inability on the part of that Company, the Provincial subsidy has lapsed, the terms of the Aid Act not having been complied with.

For the present, therefore, the Coast merchants must reach the Boundary Creek district by Revelstoke, the Arrow Lakes and the Robson-Midway Railway and the experience gained in the trade with Kootenay district shows that our merchants can also do business in the new field in Boundary Creek if the Canadian Pacific Railway Company will co-operate heartily with them in the matter. We have reason to believe that the Company will be found willing to do this and no time should be lost. If their trade rivals from other sections get ahead of our merchants in the new field it will be a matter of some difficulty to oust them. The Boundary Creek trade is certain to be a large and permanent one and we, therefore, trust that no legitimate efforts will be lacking to make it tributary to Vancouver. The Railway Company can do much to bring this about and the more friendly the relations between the Company and the City the greater the certainty of securing its aid.

The statement in the above editorial that the owners of the Vancouver, Victoria & Eastern Railway Company's charter had admitted that they would not build the road unless they could get a substantial subsidy from the Dominion Government in addition to the Provincial subsidy, is not correct. As a fact no such admission had been made, nor was it known to the Government from any source (nor should it have been assumed by them) that the road would not be built unless the Dominion subsidy was obtained.

Reading between the lines, it can easily be seen that the article in question is one strongly antagonistic to Mackenzie & Mann, and is designed to prepare the public to look with complacency upon a scheme by which railway construction in that section of the Province should be carried on under the charter of the Columbia & Western Company, which was the only other corporation then authorized to build in that district.

Shortly after this publication in the "Advertiser," *i.e.*, on the 19th October, 1898, a letter was written by Mr. Cotton, as Minister of Finance, to Mackenzie & Mann, which is in the following words:—

FINANCE DEPARTMENT,
VICTORIA, B. C.,
19th October, 1898.

Messrs. William Mackenzie and Donald D. Mann, care of William Mackenzie, Esq.,
Toronto:

GENTLEMEN—As I observe in a paragraph in a Provincial newspaper it is stated that you have a party surveying in the Boundary Creek District, in connection, it is said, with a contract which you have with this Government to construct a railway from Penticton to Midway, I beg to state that this Government cannot admit that you have complied with either the spirit or the letter of the agreement of June 15th last, between yourselves and this Government as set out in clause 2 of said agreement.

The Government, therefore, holds that said agreement is at an end. The same remark will apply to an agreement of June 16th last, for the construction of a railway from the coast to Penticton, and one of June 16th last, for the construction of a railway from Teslin Lake to the coast, although such a statement is, perhaps, unnecessary, as the Government is not aware that you have ever made even a nominal step towards the carrying out of these two agreements.

I have the honor to be, Gentlemen,
Your obedient servant,
(Signed) F. CARTER-COTTON,
Minister of Finance.

In this letter it will be seen that the Government do not take the ground that the contract is invalid, but for the first time suggest that the work of surveying and the construction, which had been actually performed in accordance with the arrangement with the late Government, is not a diligent prosecution of the work according to the terms of the contract.

The source of the information upon which this important statement of the Minister is made is said to be a paragraph in a provincial paper.

Diligent search for the paragraph referred to has been made, and the only one which has been found that would in any way correspond to the Minister's statement is a paragraph from a paper published in the Boundary District, which was copied in the "News Advertiser," which, after referring to the fact of a survey party being at work, contains the following as part of an interview had with Mr. Mann:—

RAILWAY NOTES.

THE VANCOUVER, VICTORIA & EASTERN.

Mr. D. D. Mann, of Mackenzie and Mann, has, as reported by our Boundary Creek correspondent, been paying a visit to Greenwood City. The "Times" of that city had an interview with him. With reference to the Victoria, Vancouver and Eastern Railway Mr. Mann stated that a corps of engineers were working under Mr. Koss. They were making a thorough survey of the route between Penticton and Midway and ought to have this work completed within the next 30 days. It was very important that this survey work should be carefully done. Heretofore the surveys of the route were only preliminary and hurriedly carried out so that they were of little value for construction purposes. Engineers choosing the best route could save many dollars in the construction of the road. His firm had fully intended to construct this piece of the road and also from Penticton to the Coast, but they also intended to ask Parliament for a subsidy next session. The work was unusually heavy and without a subsidy it would be a difficult matter to finance the necessary money. Mr. Mann was also not satisfied with the method of paying the Provincial subsidy. He pointed out that the entire road from the Coast to Penticton, a distance of over 300 miles, must be constructed before the subsidy could be secured. He thought the interests of the Province would be equally well guarded and the contractors' chances of financing the money greatly enhanced by dividing this road into two sections and allowing the subsidy as each section is completed. Mr. Mann pointed out that his firm has a contract for building several hundred miles of railway in Manitoba. They secured a subsidy from the Manitoba Government, and as soon as ten miles of railway is constructed the subsidy for that distance is paid. This gives them, said he, a better opportunity for securing money to build the road.

Mr. Cotton's letter above referred to was addressed to Mackenzie & Mann at Toronto, and their reply was dated at that city on the 1st of November, and is as follows:

TORONTO, NOV. 1st, 1898.

The Honorable F. Carter-Cotton, Minister of Finance, Victoria, B. C.:

DEAR SIR,—Your letter of the 19th October reached Toronto after our Mr. Mackenzie had left for England, and it was not until yesterday that the writer, Mr. Mann, received it. Your letter is a surprise to us, as, in accordance with the terms of the contract for the railway from Penticton to the Boundary, work was commenced within the time mentioned in the contract, and has since been carried on in accordance with our understanding of the contract. The same remarks apply to the contract for a line from an ocean port to Stikeen and Teslin Lake. We must protest against the contracts being considered as at an end, and we hope the Government will reconsider its decision. Your early reply is respectfully asked for, as our men are still at work. Kindly address your letter to Mackenzie & Mann, Toronto.

With reference to the contract for the line from the coast to Penticton, we call your attention to the fact that by its terms we are not obliged to commence work before May 8th, 1899, but we have had surveyors on the route.

Yours truly,

(Sg'd) MACKENZIE & MANN.

To this last letter Mr. Cotton replied on the 21st of November, as follows:—

FINANCE DEPARTMENT,
VICTORIA, B. C.,
21st November, 1898.

Messrs. Mackenzie & Mann, Toronto, Ont.:

GENTLEMEN,—I have the honor to acknowledge the receipt of your favor of the 1st instant.

I am at a loss to understand how the contents of my letter of the 19th ultimo could have been "a surprise" to you, since the same were identical with the views held by the Government, and stated to you very explicitly in the interview between the Attorney-General and myself and both members of your firm in my office last September.

While it is not the desire of the Government to take any action which could in any manner be considered as arbitrary or unreasonable, it is impossible for it to extend the authority or disregard the instructions of the Legislature, as defined in the Public Works Loan Act, 1897, and Amending Act.

The Government considers that the arrangement which you state was entered into with you by the late Government does exceed the authority conferred by the Legislature and is consequently void and of no effect.

Even had it been otherwise, the fact that you have purposely postponed doing any substantial work on the Penticton-Midway road until you can be assured of receiving financial assistance from the Dominion Government, would make it impossible for the Government to give that approval to the manner in which the work has been prosecuted, which by subsection 1 of section 9 of the Act is an essential condition precedent to the granting of the subsidy.

I have the honor to be, Gentlemen,
Your obedient servant,
(Sg'd) F. CARTER-COTTON,
Minister of Finance.

After the receipt of the last mentioned letter, representatives of Mackenzie & Mann called upon the Government, and had an interview with the Council. At that interview the facts above referred to were recapitulated and it was pointed out that if Mackenzie & Mann were prevented by the Government from continuing the present contract, the building of the road in the Boundary Creek district would be very seriously delayed, and, indeed, rendered absolutely impossible from the fact that the Subsidy Act required not only that the contract should be entered into with the Government for the purpose of earning the subsidy, but also that work should be commenced thereon on or before the 8th day of August, 1898, a date which was then passed.

It was further pointed out to the Government that it was practically impossible for any one to build the road in question without Government aid, and that there was no company then entitled to any such aid except the Columbia & Western Railway Company, who under their charter need not complete the road from Penticton to Midway until 1901, and for so doing would receive a bonus of 20,000 acres of land a mile.

It was also stated that if, as was quite possible, no person, firm, or company could be induced to build the road under the Provincial subsidy alone, unsupplemented by Dominion aid, the proposed action of the Government in putting an end to the present contract as suggested in the letters of the Finance Minister, either on account of suggested invalidity of the contract or by reason of the amount of work which had been done, would only end in depriving the Boundary Creek district of the construction of the road in question for some years, and all this would result from the Government adopting a policy which was directly the opposite, so far as the obtaining of Dominion aid was concerned, to that outlined in the preamble to the Loan Act of 1897. It was also stated, at that time, that the new Government had not as yet indicated what amount of construction work would be satisfactory to them, nor had any opportunity been afforded to Mackenzie & Mann of meeting the Government's requirements in that behalf.

Upon these representations being made the Government professed to be informed for the first time as to certain facts relating to the contract, and the Finance Minister then said that his letters had been written under a misapprehension, and that they did not necessarily mean that the contracts were put an end to, and that in any event the Government had not finally decided upon what course to adopt in connection with this matter, and that having heard the contractors' side of the case for the first time they would take the matter into serious consideration and give an early reply.

Afterwards, in pursuance of an appointment, the representatives of Mackenzie & Mann again waited on the Government, but the Government declined to hear them further. The Finance Minister, however, stated that as the representative of the Government he was authorized to say that the Government had not yet determined upon the course they would adopt with reference to the contracts, and he then requested the contractors to present a written statement of their contention, which was done, and such statement is re-printed as Appendix "B" hereto.

No reply having been received, Messrs. Davis, Marshall & McNeill, as Solicitors for Mackenzie & Mann, sent the following letter:—

VANCOUVER, December 29, 1898.

Hon. F. L. Carter-Cotton, Victoria. Re Mackenzie & Mann V. V. & E. contract, ditto trail account.

We would again beg to draw your attention to the fact that you have not yet answered Messrs. Mackenzie, Mann & Co.'s letter to you of the 30th ult., although both you individually and the council as a whole distinctly and repeatedly promised both Mr. Lukes and the writer that although you could not promise an answer with reference to the trail account before the 5th January, an almost immediate answer would be sent so far as the V. V. & E. contract was concerned. It is now, however, a month to-morrow since the letter was sent you, fully going into both these matters, and as yet no answer whatever has been received and not even an acknowledgment given to the various letters asking for early answer.

We have the honor to be, Sir,

Your obedient servants,

DAVIS, MARSHALL & MACNEILL.

On the 31st December, 1898, Mr. Cotton addressed a letter to Messrs. Davis, Marshall & McNeill in reply to theirs of the 29th December, which letter contains the formal answer of the Government, and is as follows:—

FINANCE DEPARTMENT,
VICTORIA, B. C.,

31st December, 1898.

Messrs. Davis, Marshall & Macneill, Vancouver, B. C.

GENTLEMEN.—In reply to your letter of the 29th instant in reference to Messrs. Mackenzie, Mann & Co.'s letter of the 30th ultimo, I regret if your clients have been put to inconvenience by any delay in replying to the same. As, however, circumstances made it impossible to bring the matter before the Council any earlier, the delay was unavoidable.

I have the honor to inform you that after careful consideration of all the facts set out in the said letter of Messrs. Mackenzie, Mann & Co., this Government does not consider that the contract executed by the late Finance Minister and the late Attorney-General, on behalf of the Government, with that firm comes within the scope or intent of the Act passed by the Legislature to authorise aid being given for the construction of a railway between Pentteton and Boundary Creek.

Although, until the interview last month with the representative of Messrs. Mackenzie, Mann & Co., this Government was unaware of the fact, asserted by Mr. Lukes, that members of the late Government had assured Messrs. Mackenzie Mann & Co. that surveying the route of the railway would be considered as complying with the provisions of the Act requiring work to be commenced on the line before August 8th last, this Government is unable to concur in the view that such a course is in consonance with the intentions of the Legislature.

This Government is not able, therefore, to admit that the arrangement entered into by the late Government with your clients is a valid one, or that if it were that the latter have "duly and diligently prosecuted the work" to the satisfaction of the Lieutenant-Governor in Council.

In reference to the claim of your clients for work done on the Glenora-Teslin Lake Trail that, as I have already informed you, must stand until the meeting of the Legislature.

I have the honor to be, Gentlemen,

Your obedient servant,

F. CARTER-COTTON,

Minister of Finance.

In the above letter it is stated that the Government have determined to cancel the contract for the following reasons :—

- (1.) On the ground that it is not drawn in the form authorised by the statute; and
- (2.) On the ground that the work has not been diligently prosecuted.

Although it is stated in Mr. Cotton's letter that the Government, up to the date of the interview of the 22nd of November, had no knowledge of the arrangement between the late Premier and Attorney-General, and although no suggestion of bad faith is imputed to either the contractors or the late Administration, yet this Government assume to cancel the contract on the ground that construction has not been diligently carried on without allowing the contractors any time within which they may perform such further work as the Government considers necessary in order to comply with the provision requiring diligent prosecution of the work.

As to the other ground stated in the letter that the contracts are invalid by reason of not being drawn in accordance with the statute, it is not denied that contracts were executed; it is not questioned that they were signed by the proper officers, but the ground put forward is, that inasmuch as they did not bind the contractors to build the road unless a Dominion subsidy was obtained, they were *ultra vires* of the Government.

It will be noticed in this connection that the Loan Act permits the Government to enter into "all agreements with any person or company "undertaking the construction of any railway to which a subsidy is "hereby attached, which may be *necessary or convenient* for the due "construction and operation of such railway."

Under this section the decision as to what form of contract was necessary or convenient was left to the Lieutenant-Governor in Council, and when he had once bona-fide exercised his discretion that the contracts with Mackenzie & Mann were necessary or convenient contracts for the purpose it would not be open to anyone to contend that the act of the Lieutenant-Governor in signing the document in question was *ultra vires*; yet, unless the Government had exceeded the powers conferred upon them by the Act the contract is valid and subsisting and could not be cancelled by any subsequent letter written by or on behalf of the Government.

This argument is altogether separate from the other contention which seems to be perfectly sound, viz.:—that in making the contracts which they did, the late Government were acting strictly in accordance with the policy of the statute as outlined in the preamble and in the enacting parts.

In any event it would seem only right that before a Government should attempt to cancel any contract in circumstances such as those above mentioned, the matter should be referred to some court of competent jurisdiction in the Province, to decide whether as a matter of law the contract was binding on the Government or otherwise.

In this connection it should be noted that it is perfectly clear that the contract for the work from the Coast to Penticton cannot be put an end to on the suggestion that the work has not been prosecuted dili-

gently, since the time for its commencement does not begin until the 8th of May, 1899, whereas the repudiation on the part of the Government took place on the 31st of December, 1898.

The Provincial House assembled for the transaction of business on the 5th day of January, 1899. The first step taken in this matter by the Government was the introduction of an Act in aid of the Columbia & Western Railway. At this time a portion of that road extending from Robson to Christina Lake was under construction.

Under Section 4 of their Subsidy Act the Columbia & Western were bound on or before the 17th of April, 1898, to locate their line of road and to file in the office of the Chief Commissioner a projection showing upon a plan of the located line the boundary lines of alternate blocks of land having a frontage of six miles on the railway by a depth of 16 miles.

Upon the completion of the road these lands would be granted to the Company.

They had, however, failed to locate their line or file their plan, and had not built any portion of the road in the Boundary district, except a part of that section from Robson to Christina Lake. The Government, however, brought in an Act, Bill No. 33, of the session of 1899, introduced by the Premier, which provided that the time limited by section 4 of the Columbia & Western Subsidy Act for defining and projecting the lands to be granted to them should be extended for one year from the coming into force of the Act so introduced by the Premier.

It will be seen that without this Act the Columbia & Western would have forfeited the whole of their land grant. The Government may be excused for reviving that portion which related to the construction from Robson to Christina Lake, but they did a great deal more—they revived the whole grant from Robson to Penticton, although their declared policy from the first had been that no more land subsidies should be granted for the construction of railways within the Province.

On the 30th of January, on a motion of one of the members, Mr. Macpherson, an order was made for the return of all the contracts, correspondence and papers relating to the contracts which had been entered into between Mackenzie & Mann and the Government. This return was not made, and as the Government had in the meantime brought down a bill repealing the Public Works Loan Act of 1898, a representative of Mackenzie & Mann waited upon the Attorney-General and received a distinct promise from him that the second reading of this bill would not be proceeded with until after the above motion had been complied with, and full opportunity afforded the members to read the contracts and correspondence and understand the situation thoroughly. This promise was not kept.

The bill above referred to repealing the Loan Act of 1897 and the amending Act of 1898 reads as follows:—

HON. ATTORNEY-GENERAL.

BILL.

No. 75.]

[1899.

An Act to repeal certain Statutes and portions of Statutes granting aid to Railways.

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of British Columbia, enacts as follows:—

1. Chapter 40 of the Statutes of 1899, being the Railway Aid Act, 1899,¹ is hereby repealed, except so far as the Crow's Nest and Kootenay Lake Railway Company is affected thereby.

2. The portions of chapter 38 of the Statutes of 1897, being the "Northern Railways Aid Act, 1897," which made provision for land grant subsidies to the Yukon Mining, Trading and Transportation Company (Foreign), and the Stickine and Testlin Railway, Navigation and Colonization Company, are hereby repealed.

3. Chapter 24 of the Statutes of 1897, being the "British Columbia Public Works Loan Act," 1897, and chapter 30 of the Statutes of 1898, being the "British Columbia Public Works Loan Act (1897) Amendment Act, 1898," are hereby repealed, except so far as the same provided for and affect a subsidy of not more than four thousand dollars per mile for a standard gauge railway from Robson to Boundary Creek District.

4. Notwithstanding the last preceding section, all the provisions of said chapters 24 of 1897 and 30 of 1898 shall remain in force with regard to said subsidy of not more than four thousand dollars per mile for a standard gauge railway from Robson to Boundary Creek District.

The second reading of the above bill was brought on in the House during the afternoon of the 22nd of February, and an attempt was made to force it through that day. A number of the Government supporters, however, refused to allow it to pass without some consideration, and consequently the Attorney-General, late in the evening, consented to an adjournment of the debate. This adjournment was obtained on motion of one of the Government supporters, and was grounded upon the proposition that the correspondence and contracts entered into under the Loan Act not yet having been brought down, it was impossible to give the bill due consideration, and that the debate should be adjourned for a sufficient time to enable the members of the House to see the contracts and correspondence and form an intelligent opinion of the effect of the statute which was proposed.

This arrangement, however, was not carried out; on the contrary, a caucus of the Government members was called for the next morning at ten o'clock. On the assembling of the Legislature at two o'clock in the afternoon, the Government laid the papers and correspondence before the House. No printed copies were circulated. The debate was proceeded with immediately, and the bill passed the House that day, with the adoption of the following clause 5, which the Government found it necessary to adopt in order to ensure the ultimate passage of the Bill:

5. The repeal of said chapters 24 and 30 shall not in any way affect any remedy which William Mackenzie and Donald D. Mann would have been entitled to enforce for breach of contract against the Government, in connection with certain agreements made between them and the Government.

Newspaper reports of the speeches of the Attorney-General and the Finance Minister, and some of the leading members of the Opposition, on this debate are reproduced in Appendix "C" hereto.

The following telegram was sent by Mr. Mackenzie and was submitted to the Attorney-General and shown to other prominent members of the House on the evening of the 22nd of February, before the adjournment of the debate on the second reading of the Bill to repeal the Loan Act:

"Lewis Lukes,
"Victoria, B. C.

"TORONTO, ONT., FEB. 22, 1899.

"We would be willing to relinquish Yukon contract providing they confirmed Vancouver-Victoria & Eastern contract giving us until first Jan. next for obtaining Dominion subsidy and making financial arrangements we putting up fifteen thousand dollars each section as security said deposits to be retained by the Government out of amount owing us for trail work.

"WM. MACKENZIE."

The Yukon contract referred to in the above telegram is the contract made between the Government and Mackenzie & Mann for the railway from Teslin lake to an ocean port on the British Columbia coast.

When he was shown the above telegram the Attorney-General characterized it as "bogus" and refused to consider it seriously. The unreasonableness of this position is manifest when one considers the character of the offer contained in the telegram. If the Government had accepted these conditions and acted upon them, then, in the event of Mackenzie & Mann refusing to proceed with the work, or defaulting in their contract afterward, the Government would have become at once possessed of the following tangible assets, namely:

- (a) \$30,000 in cash.
- (b) The value of the construction and survey work which had already been done, and which would be proceeded with until the time of default. This work had already cost upwards of \$20,000.

Two editorials appearing in the "News-Advertiser" of the 24th and 25th of February, on this subject are reprinted in Appendix "D" hereto.

The suggestion in each of these editorials that the charters in question were in the hands of contractors who were not men of substance and who only proposed to sell the concession at a profit, is not at all in accordance with the fact as was well known to the Minister of Finance and to other members of the Government.

Having thus disposed of the Mackenzie & Mann contracts, and having repealed the subsidy both for the railway from Penticton to Midway and from the Coast to Penticton, the Government brought in another Act which was introduced by the Attorney-General on the 24th of February, and is in the following words:

HON. ATTORNEY-GENERAL.

BILL.

No. 96.]

[1899.

An Act to grant a subsidy to a Railway from Midway to Penticton.

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows:

1. This Act may be cited as the "Midway-Penticton Railway Subsidy Act, 1899."
2. There is hereby granted for and in aid of the construction of a standard gauge railway from a point *at or near Midway to a point at or near Penticton*, or some other point on Lake Okanagan, approximately one hundred miles in length, a sum not exceeding four thousand dollars per mile.
3. The Lieutenant-Governor in Council may enter into any agreement with any person or company undertaking the construction of such railway for the due construction and operation of such railway.
4. The said subsidy shall not be payable until the railway is completed and in running order to the satisfaction of the Lieutenant-Governor in Council, nor until security or guarantees satisfactory to the Lieutenant-Governor in Council is or are given *for the continuous maintenance and operation of the railway*.
5. In case said subsidy is granted to a railway company entitled to a land grant for the construction of such line, the same shall only be payable in case said company abandons its claim to such land grant.
6. No Chinese or Japanese person shall be employed or permitted to work in the construction or operation of any railway subsidised under this Act, under a penalty of five dollars per day for each and every Chinese or Japanese person so employed in contravention of this section, to be recovered on complaint of any person, under the provisions of the "Summary Convictions Act."
7. The Lieutenant-Governor in Council may incorporate any number of persons as a railway company for the purpose of constructing and operating such railway and receiving

such subsidy, and any provision contained in any railway charter passed during the present Session of the Legislative Assembly may be applied to such company. Such company shall be subject to the "British Columbia Railway Act."

8. *Said subsidy shall not be given to any railway company not under the exclusive jurisdiction of the Province of British Columbia.*

The whole matter may, therefore, be summed up under the following heads :

1. The Government have cancelled the contract of Mackenzie & Mann for the construction of a road from the Coast to Pentiction on two grounds :

(a) That the work has not been prosecuted with diligence according to the satisfaction of the Lieutenant-Governor ;

(b) That the contract is not in the form authorized by the Loan Act.

The reason (a) is not in point, since the time for the commencement of the work does not begin until the 8th of May, 1899 :

Reason (b) putting it in the most favorable light for the Government, is very questionable, and in the opinion of the legal advisers of Mackenzie & Mann, is absolutely untenable, and no Court has yet decided that the contract is invalid.

2. The Government have cancelled the contract with Mackenzie & Mann for the construction of a railway between Pentiction and Midway for two reasons :

(a) That the work of construction has not been prosecuted with diligence ;

(b) That the contract is not in the form authorized by the Loan Act.

With reference to reason (a) it is alleged by Mackenzie & Mann and not denied by the Government, that the work which had been done is exactly the work which the previous Government agreed should be considered a satisfactory expenditure on construction, and Mackenzie & Mann have spent in this way over \$20,000 which is now confiscated.

Even if the present Government consider that that kind of work is not prosecuting construction with due diligence, they have cancelled the contract without giving the contractors any time to perform such additional work as the Government may now think is proper evidence of an intention to proceed with construction.

With reference to reason (b) the same observations may be made as have been referred to in the matter of the contract from the Coast to Pentiction.

3. In order to make the contracts valueless, if it should be held impossible for the Government to cancel on the grounds stated, they have repealed the subsidy which was appropriated to the road from the Coast to Pentiction, and from Pentiction to Midway.

4. They have ostensibly provided a new subsidy of an equal amount for the road from Pentiction to Midway, but a careful reading of the Act under which that aid is granted shews that the conditions under which it is to be obtained are such that no independent company will undertake the construction of the line.

5. They have declined to provide any subsidy whatever for the road from the coast to Pentiction.

APPENDIX A.

CONTRACT FOR RAILWAY FROM COAST TO PENTICTON.

This agreement, entered into the fifteenth day of June, eighteen hundred and ninety-eight, between Her Majesty the Queen, represented by the Honorable J. H. Turner, Premier and Minister of Finance for the Province of British Columbia, and the Honorable D. M. Eberis, Attorney-General for the said Province, hereinafter called the Government, of the first part, and William Mackenzie, of the City of Toronto, in the Province of Ontario, contractor, and Donald D. Mann, of the City of Montreal, in the Province of Quebec, contractor, hereinafter called the contractors, of the second part.

Whereas the Government has been empowered by an act entitled the "British Columbia Public Works Loan Act, 1897, Amendment Act, 1898," to grant a cash subsidy not exceeding the sum of four thousand dollars per mile in aid of the construction of a standard-gauge railway from the coast of British Columbia in the neighborhood of English Bluff, near Point Roberts, via Chilliwack, to Penticton, being approximately two hundred and thirty miles in length.

And whereas it is contemplated in the said Act, as shown by the recitals thereof, that said additional aid should be granted for the construction of the said railway by the Dominion Government:

And whereas the contractors have agreed with the Government, in consideration of receiving the said cash subsidy of four thousand dollars per mile, to build the said standard-gauge railway on the terms and conditions, and subject to the provisions hereinafter in this agreement set out:

Now therefore this agreement witnesseth as follows:

1. The contractors covenant with the Government to lay out, construct, equip and fully complete (or cause to be laid out, constructed and fully completed) a line of railway with proper terminal facilities from the coast of British Columbia in the neighborhood of English Bluff, via Chilliwack to Penticton, completed, the said railway when fully completed, to be of standard gauge and of the general standard of railways of like gauge in the same district of the said Province. Provided that the said railway shall be the property of the contractors.

2. The contractors will commence work on the construction of the said railway on or before the eighth day of May, 1899, and will duly and diligently prosecute the same to the satisfaction of the Lieutenant-Governor in Council, otherwise no subsidy to be paid.

3. The conditions shall, upon the execution of this contract, give security to the Government for the due performance of the whole work herein provided for in the sum of thirty-seven thousand five hundred (37,500) dollars, as provided in the security of even date herewith, and upon the said railway being completed as herein specified, the said security shall be returned to the contractors or their nominees, and if such security or any part thereof be deposited in cash, interest at the rate of three per cent. per annum thereon shall be paid by the government to the contractors for the time such cash has been so deposited.

4. In aid of the construction of the said line of railway the Government shall grant to the contractors for each mile of railway of approximately two hundred and thirty miles the sum of four thousand dollars in cash, payable when and so soon as the said railway has been completed and is in running order, to the satisfaction of the Lieutenant-Governor in Council, and the bond of the then owners of the said railway, or other security or guarantee satisfactory to the Lieutenant-Governor in Council has been given for the maintenance and operation of the said railway.

5. In case the contractors cause the said railway to be built under the charter of any railway company to whom the Government has heretofore granted, or been authorized to grant any land subsidy, then and in that case the subsidy herein authorized shall only be paid to the contractors upon such company giving up its claim to the land grant for the railway herein contracted to be built.

6. The contractors will cause the said line of railway to be built under the charter of the Vancouver, Victoria and Eastern Railway and Navigation Company; provided, always, that the contractors are enabled to obtain control of the said charter under a certain agreement entered into between the contractors and certain promoters and provisional directors of the said company, and dated on or about the 23rd day of September, 1897.

7. Wherever the said line of railway as located runs through waste lands of the Crown, the Government shall reserve for the purposes of the said railway all lands which the Lieutenant-Governor-in-Council shall deem necessary for the right-of-way, station yards and grounds, terminal buildings and other requirements of the railway, and shall upon the completion of the said railway issue Crown grants to the contractors for such lands.

8. The contractors may, with the consent of the Chief Commissioner of Lands and Works for the said Province, and without compensation therefor, enter and take from any public lands adjacent to or near the line of the said railway all stone, timber, gravel and other material which may be necessary or useful for the construction of the said railway, and may also, where necessary, fill in and deposit material upon any public lands.

9. If the contractors fail to perform the obligation assumed by them under this contract, they shall be liable only as provided in the security furnished for the performance of this contract.

10. The covenants and provisions herein contained shall respectively extend to and be binding upon the executors, administrators, successors and assigns of the parties hereto.

In witness whereof this agreement has been duly executed the day and year first above mentioned.

Signed, sealed and delivered by the contractors in the presence of

(Sgd) ARTHUR G. SMITH.

(Sgd) WM. MACKENZIE, (Seal)

By his Attorney.

(Sgd) D. D. MANN. (Seal)

Signed and delivered by the Hon. J. H. TURNER and the HON. D. M. EBERTS in the presence of

(Sgd) ARTHUR G. SMITH,

(Sgd) J. H. TURNER. (Seal)

(Sgd) D. M. EBERTS. (Seal)

THE BOND.

"Know all men by these presents that William Mackenzie, of the City of Toronto, in the Province of Ontario, Contractor, and Donald D. Mann, of the City of Montreal, in the Province of Quebec, Contractor, hereinafter called the contractors, are jointly and severally held and firmly bound unto Her Majesty The Queen in right of her Province of British Columbia, in the penal sum of Thirty-Seven Thousand Five Hundred (\$37,500) dollars of lawful money of Canada, to be paid to Her Majesty or Her successors for which payment well and truly to be made the contractors bind their heirs, executors and administrators and every of them forever, firmly by these presents.

Sealed with our seals and dated this fifteenth day of June, A.D., 1898.

Now the condition of this obligation is such that if the said contractors abide by and fully perform all the covenants, conditions and obligations on their part to be observed and performed, contained and set out in a certain agreement made between Her Majesty the Queen, therein represented by the Honorable John Herbert Turner, and the Honorable David MacEwen Eberts of the first part, and the said contractors of the second part, and dated the fifteenth day of June, for the construction of a certain railway from the coast of British Columbia in the neighborhood of English Bluff, near Point Roberts, via Chilliwack to Penticton, in the Province of British Columbia, then this obligation shall be void, and further provided that this obligation shall be void if the contractors do not receive from the Dominion Government, under authority to be granted during the next session of the Parliament of Canada, additional aid towards the building of the line of railway in the said agreement mentioned, to the extent of \$6,400 per mile, or such other aid as may be satisfactory to the said contractors.

Signed, sealed and delivered by the said contractors in the presence of

(Sgd) ARTHUR G. SMITH.

(Sgd) WM. MACKENZIE,

by his Attorney
D. D. MANN.

(Sgd) D. D. MANN.

THE ORDER IN COUNCIL.

Copy of a report of a Committee of the Honorable the Executive Council, approved by His Honor the Lieutenant-Governor on the 16th day of June, 1898.

"On a memorandum from the Honorable the Finance Minister, dated the 15th day of June, 1898, submitting a draft agreement between Her Majesty the

Queen and William Mackenzie and Donald D. Mann, respecting the construction of the railway mentioned in Sub-Section (c) of Section 8 of the British Columbia Public Works Loan Act, as amended at the recent session, and recommending that the Minister and the Honorable the Attorney-General be authorized to execute the said agreement on behalf of the Government of the Province.

The Committee advise approval. Certified.

(Sgd) A. CAMPBELL REDDIE,

Deputy Clerk, Executive Council.

CONTRACT FOR RAILWAY FROM PENTICTON TO MIDWAY.

This Agreement, entered into the fifteenth day of June, eighteen hundred and ninety-eight, between Her Majesty the Queen, represented by the Honorable J. H. Turner, Premier and Minister of Finance for the Province of British Columbia, and the Honorable D. M. Eberts, Attorney-General for the said Province, hereinafter called the Government, of the first part, and William Mackenzie, of the City of Toronto, in the Province of Ontario, contractor, and Donald D. Mann, of the City of Montreal, in the Province of Quebec, contractor, hereinafter called the Contractors, of the second part.

Whereas the Government have been empowered by an Act entitled the "British Columbia Public Works Loan Act, 1897, Amendment Act, 1898," to grant a cash subsidy not exceeding the sum of four thousand dollars per mile in aid of the construction of a standard-gauge railway from Penticton to the Boundary Creek District, in British Columbia, being approximately one hundred miles in length:

And whereas it is contemplated in the said Act, as shown by the recitals thereof, that said additional aid should be granted for the construction of the said railway by the Dominion Government.

And whereas the contractors have agreed with the Government, in consideration of receiving the said cash subsidy of four thousand dollars per mile, to build the said standard-gauge railway on the terms and conditions, and subject to the provisions hereinafter in this agreement set out:

Now therefore this agreement witnesseth as follows:

1. The contractors covenant with the Government to lay out, construct, equip and fully complete (or cause to be laid out, constructed, equipped and fully completed) a line of railway, with proper terminal facilities, from Penticton to the Boundary Creek District, in the Province of British Columbia, the said railway when fully completed to be of standard-gauge, and of the general standard of railways of like gauge in the same district of the said Province. Provided that the said railway shall be the property of the contractors.

2. The contractors will commence work on the construction of the said railway on or before the eighth day of August, 1898, at Penticton, as aforesaid, and will duly and diligently prosecute the same from Penticton aforesaid to the satisfaction of the Lieutenant-Governor in Council, otherwise no subsidy to be paid.

3. The contractors shall, upon the execution of this contract, give security to the Government for the due performance of the whole work herein provided for in the sum of thirty-seven thousand five hundred (\$37,500) dollars, as provided in the security of even date herewith, and upon the said railway being completed as herein specified, the said security shall be returned to the contractors or their nominees, and if such security or any part thereof be deposited in cash, interest at the rate of three per cent. per annum thereon shall be paid by the Government to the contractors for the time such cash has been so deposited.

4. In aid of the construction of the said line of railway the Government shall grant to the contractors for each mile of said railway of approximately one hundred miles the sum of four thousand dollars in cash, payable when and so soon as the said railway has been completed and is in running order, to the satisfaction of the Lieutenant-Governor in Council, and the bond of the then owners of the said railway, or other security or guarantee satisfactory to the Lieutenant-Governor in Council has been given for the maintenance and operation of such railway.

5. In case the contractors cause the said railway to be built under the charter of any railway company to whom the Government has heretofore granted, or been authorized to grant, any land subsidy, then and in that case the subsidy herein authorized shall only be paid to the contractors upon such company giving up its claim to the land grant for the railway herein contracted to be built.

6. The contractors will cause the said line of railway to be built under the charter of the Vancouver, Victoria and Eastern Railway and Navigation Company; provided, always, that the contractors are enabled to obtain control of the said charter under a certain agreement entered into between the contractors and certain promoters and provisional directors of the said company, and dated on or about the 23rd day of September, 1897.

7. Wherever the said line of railway as located runs through waste lands of the Crown, the Government shall reserve for the purposes of the said railway all lands which the Lieutenant-Governor in Council shall deem necessary for the right-of-way, station yards and grounds, terminal buildings and other requirements of the railway, and shall upon the completion of the said railway issue to the contractors a Crown grant for such lands.

8. The contractors may, with the consent of the Chief Commissioner of Lands and Works for the said Province, and without compensation therefor, enter upon and take from any public lands adjacent to or near to the line of the said railway all stone, timber, gravel and other material which may be necessary or useful for the construction of the said railway, and may also, where necessary, fill in and deposit material upon any public lands.

9. If the contractors fail to perform the obligation assumed by them under this contract, they shall be liable only as provided in the security furnished for the performance of this contract.

10. The covenants and provisions herein contained shall respectively extend to and be binding upon the executors, administrators, successors and assigns of the parties hereto.

In witness whereof this agreement has been duly executed the day and year first above mentioned

Signed, sealed and delivered by the contractors in the presence of

(Sgd) ARTHUR G. SMITH.

(Sgd) WM. MACKENIE (Seal)

By his Attorney,

(Sgd) D. D. MANN. (Seal)

Signed, sealed and delivered by the HON. J. H. TURNER and the HON. D. M. EBERTS, in the presence of

(Sgd) ARTHUR G. SMITH.

(Sgd) J. H. TURNER. (Seal)

(Sgd) D. M. EBERTS. (Seal)

NOTE.—A bond for the performance of this contract was executed in a similar form to that for the contract from the Coast to Penticton, and an Order-in-Council was duly passed authorizing the execution of the contract.

APPENDIX B.

LETTER FROM MACKENZIE & MANN TO HON. F. CARTER-COTTON.

Victoria, B. C., November 30, 1898.

SIR:—At the session of the British Columbia Legislature held in 1897, an act was passed entitled the "British Columbia Public Works Loan Act, 1897," for the purpose of encouraging the building of railways by granting certain subsidies to persons and companies undertaking the construction thereof. This Act was amended in 1898, and as amended provided for the granting of a subsidy to a railway to be constructed from Penticton to the Boundary Creek District, being a distance of approximately one hundred miles.

The intention of the Legislature, as shown by the preamble of the Act in question, was that any aid granted by the Provincial Government to persons or companies constructing the railroads mentioned in the Act should be supplemented by subsidies from the Dominion Government on the ground that the development of this Province and the consequent increase of its population would give an even greater increase of revenue to the Dominion than to the Provincial Government. The exact wording of the preamble in question is as follows:

"Whereas, the existence of extraordinary mineral wealth has been substantiated in many parts of the Province, and there are valid reasons for believing that there are numerous districts in the Province as yet unprospected which will also prove rich in mineral wealth, and that an extensive immigration and increase of population may be anticipated if means of communication are afforded by railways, roads and other works for developing the natural wealth which exists both in mineral, timber and farming land:

And whereas it is expedient that the trade and commerce of British Columbia accompanying such development and increase in population should, as far as possible, be retained in the Dominion of Canada, which will be best effected by the early construction of such railways, roads and public works:

And whereas the addition of every unit of population will give an increase of revenue, both to the Dominion and Provincial Governments, but in a proportion approximately two to one in favor of the Dominion as compared with the Province, while the charges on the Province for administration and collection resulting from such increase in population are greater than those upon the Dominion and the advantages to be reaped from the execution of such works would therefore constitute a strong claim upon the Dominion for assistance therein:

And whereas it is expedient that this Legislature should make immediate and adequate provision for subsidizing railways of the class above mentioned, and with that end a loan can be authorized:"

As is well known, it is the custom for the Dominion Government to only supplement aid already given for railway construction by the Provincial Government, and not to initiate such assistance, that is, not to pass any subsidy Act in favor of a Provincial railway before the Province in which such railway is to be constructed has itself passed a subsidy Act in favor of such road.

All the railways which the Provincial Government were authorized to assist by this Act, and especially the railway in question, that is from Penticton to the Boundary Creek District, are railways having special claims to Dominion assistance as being colonization roads absolutely necessary for the development of the surrounding territory, and furthermore very expensive to construct by reason of the peculiar nature of the country.

Among other things it was provided in such Act that no persons, firm or company should be entitled to a subsidy for the construction of the line of railway in question, unless they entered into an agreement with the Government that bona fide and continuous construction should be commenced and carried on within fifteen months from the passage of the Act (thus making the time for commencement the 8th of August, 1898) and that such work when commenced should be duly and diligently prosecuted to the satisfaction of the Lieutenant-Governor in Council, and that no such subsidy should be granted unless this was done and the road completed to the satisfaction of the Government and security given for the due operation and maintenance of the same.

There was, however, no time limit fixed for the completion of the railway, and no security was required to be given by the contractors for the construction thereof, it presumably being assumed that the control given to the Government under the Act and proposed contract over the granting or withholding of the subsidy itself would be sufficient for this purpose. It was also provided in the Act that any company already holding a land grant from the Provincial Government in aid of the construction of any such line should only be entitled to the subsidy in question upon its giving up all claim to such land grant.

When this Act was passed we, being desirous of earning the subsidy for the Penticton road, entered into negotiations with the Provincial Government to obtain the contract, and upon such Government assuring us that they would, in accordance with the spirit of the Act, in no way tie our hands in a subsequent application on our part to the Dominion Government to supplement such aid, we pointed out to the Government that no survey had as yet been made of the road in question, and no construction therefore could satisfactorily be commenced until such survey was completed, and also that the expenditure of a large sum of money upon construction itself prior to the next session of the Dominion House, and our entering into any absolute and unconditional agreement to construct such road, would of necessity make it absolutely impossible to obtain such further aid from the Dominion Government as was contemplated by the Act in question. We further pointed out that such survey work had always been held to be bona fide and continuous construction within the meaning of similar provisions in similar subsidy Acts passed by other Provinces in Canada, and also by the Dominion House itself. The Government thereupon, by the Honorable the Finance Minister and the Honorable the Attorney-General (who were the parties authorized by Order-in-Council to execute the subsidy contract on behalf of the Provincial Government, agreed with us that if we proceeded on or before the date fixed in the Act (that is the 8th of August, 1898) to place our ordinary survey party on the proposed route, and in addition thereto put a construction force to work at or near Penticton, such work would be considered by the Government as being duly and diligently prosecuted to the satisfaction of the Lieutenant-Governor in Council, under sub-section 1 of Section IX. of the Act in question, until such time as the Dominion Parliament should meet and it could be ascertained whether or not they would supplement the local subsidy by further Dominion aid, more especially as the necessity of prior survey and the intervention of the winter season would make it impossible in any event for us to do any substantial amount of actual construction on the road in question before that time. They also agreed for the same reasons that the contract to be signed by us with the Government should not be so absolute and unconditional in its form as to cut off the responsibility of our obtaining Dominion aid, and therefore agreed that the contract itself and the security to be given by us for its performance (no security of any kind for this purpose being required by the Act itself) should be as now worded.

Upon this understanding the following contract for the earning of the subsidy in question was drawn up and executed by us:

This Agreement entered into the fifteenth day of June, eighteen hundred and ninety-eight, between Her Majesty the Queen, represented by the Honorable J. H. Turner, Premier and Minister of Finance for the Province of British Columbia, and the Honorable D. M. Eberts, Attorney-General for the said Province, hereinafter called the Government, of the first part, and William Mackenzie, of the city of Toronto, in the Province of Ontario, contractor, and Donald D. Mann, of the City of Montreal, in the Province of Quebec, contractor, hereinafter called the Contractors, of the second part.

Whereas the Government have been empowered by an Act entitled the "British Columbia Public Works Loan Act, 1897, Amendment Act, 1898," to grant a cash subsidy not exceeding the sum of four thousand dollars per mile in aid of the construction of a standard-gauge railway from Pentiction to the Boundary Creek District, in British Columbia, being approximately one hundred miles in length.

And whereas it is contemplated in the said Act, as shown by the recitals thereof, that said additional aid should be granted for the construction of the said railway by the Dominion Government.

And whereas the contractors have agreed with the Government, in consideration of receiving the said cash subsidy of four thousand dollars per mile, to build the said standard-gauge railway on the terms and conditions, and subject to the provisions hereinafter in this agreement set out:

Now therefore this agreement witnesseth as follows:

1. The contractors covenant with the Government to lay out, construct, equip and fully complete (or cause to be laid out, constructed, equipped and fully completed) a line of railway, with proper terminal facilities, from Pentiction to the Boundary Creek District, in the Province of British Columbia, the said railway when fully completed to be of standard-gauge, and of the general standard of railways of like gauge in the same district of the said Province. Provided that the said railway shall be the property of the contractors.

2. The contractors will commence work on the construction of the said railway on or before the eighth day of August, 1898, at Pentiction, as aforesaid, and will duly and diligently prosecute the same from Pentiction aforesaid to the satisfaction of the Lieutenant-Governor in Council, otherwise no subsidy to be paid.

3. The contractors shall, upon the execution of this contract, give security to the Government for the due performance of the whole work herein provided for in the sum of thirty-seven thousand five hundred (\$37,500) dollars, as provided in the security of even date herewith, and upon the said railway being completed as herein specified, the said security shall be returned to the contractors or their nominees, and if such security or any part thereof be deposited in cash, interest at the rate of three per cent. per annum thereon shall be paid by the Government to the contractors for the time such cash has been so deposited.

4. In aid of the construction of the said line of railway the Government shall grant to the contractors for each mile of said railway of approximately one hundred miles the sum of four thousand dollars in cash, payable when and so soon as the said railway has been completed and is in running order, to the satisfaction of the Lieutenant-Governor in Council, and the bond of the then owners of the said railway, or other security or guarantee satisfactory to the Lieutenant-Governor in Council has been given for the maintenance and operation of such railway.

5. In case the contractors cause the said railway to be built under the charter of any railway company to whom the Government has heretofore granted, or been authorized to grant, any land subsidy, then and in that case the subsidy herein authorized shall only be paid to the contractors upon such company giving up its claim to the land grant for the railway herein contracted to be built.

6. The contractors will cause the said line of railway to be built under the charter of the Vancouver, Victoria and Eastern Railway and Navigation Company; provided, always, that the contractors are enabled to obtain control of the said charter under a certain agreement entered into between the contractors and certain promoters and provisional directors of the said company, and dated on or about the 23rd day of September, 1897.

7. Wherever the said line of railway as located runs through waste lands of the Crown, the Government shall reserve for the purposes of the said railway all lands which the Lieutenant-Governor in Council shall deem necessary for the right-of-way, station yards and grounds, terminal buildings and other requirements of the railway, and shall upon the completion of the said railway issue to the contractors a Crown grant for such lands.

8. The contractors may, with the consent of the Chief Commissioner of Lands and Works for the said Province, and without compensation therefor, enter upon and take from any public lands adjacent to or near to the line of the said railway all stone, timber, gravel and other material which may be necessary or useful for the construction of the said railway, and may also, where necessary, fill in and deposit material upon any public lands.

9. If the contractors fail to perform the obligation assumed by them under this contract, they shall be liable only as provided in the security furnished for the performance of this contract.

10. The covenants and provisions herein contained shall respectively extend to and be binding upon the executors, administrators, successors and assigns of the parties hereto.

In witness whereof this agreement has been duly executed the day and year first above mentioned.

Signed, sealed and delivered by the contractors in the presence of

(Sgd) ARTHUR G. SMITH.

(Sgd) WM. MACKENZIE (Seal)
By his Attorney.

(Sgd) D. D. MANN. (Seal)

Signed, sealed and delivered by the HON. J. H. TURNER and the HON. D. M. EBERTS, in the presence of

(Sgd) ARTHUR G. SMITH.

(Sgd) J. H. TURNER. (Seal)
(Sgd) D. M. EBERTS. (Seal)

This contract was duly executed by the Honorable the Finance Minister and the Honorable the Attorney-General on behalf of the Government under the following order-in-council:

"On a memorandum from the Honorable the Finance Minister, dated the 15th day of June, 1898, submitting a draft agreement between Her Majesty the Queen and William Mackenzie and Donald D. Mann, respecting the construction of the railway mentioned in Sub-Section (a) of Section VIII. of the British Columbia Public Works Loan Act, as amended at the recent session, and recommending that the Minister and the Honorable the Attorney-General be authorized to execute the said agreement on behalf of the Government of the Province.

The Committee advise approval. Certified.

(Sgd) A. CAMPBELL REDDIE,
Deputy Clerk, Executive Council.

The security referred to in the said contract was duly executed by us and is in the words and figures following:

"Know all men by these presents that William Mackenzie, of the City of Toronto, in the Province of Ontario, contractor, and Donald D. Mann, of the City of Montreal, in the Province of Quebec, contractor, hereinafter called the Contractors, are jointly and severally held and firmly bound unto Her Majesty the Queen in right of her Province of British Columbia, in the penal sum of thirty-seven thousand five hundred (\$37,500) dollars of lawful money of Canada, to be paid to Her Majesty or her successors, for which payment well and truly to be made the contractors bind their heirs, executors and administrators, and every of them forever firmly by these presents.

Sealed with our seals and dated this fifteenth day of June, A.D. 1898.

Now that the condition of this obligation is such that if the said contractors abide by and fully perform all the covenants, conditions and obligations on their part to be observed and performed, contained and set out in a certain agreement made between Her Majesty the Queen, therein represented by the Honorable John Herbert Turner and the Honorable David MacEwen Eberts, of the first part, and the said contractors of the second part, and dated the fifteenth June, 1898, for the construction of a certain railway from Pentiction to the Boundary Creek District, in British Columbia, then this obligation shall be void, and further provided that this obligation shall be void if the contractors do not receive from the Dominion Government, under authority to be granted during the next session of the Parliament of Canada, additional aid towards the building of the line of railway in the said agreement mentioned, to the extent of \$6,400 per mile, or such other aid as may be satisfactory to the said contractors.

Signed, sealed and delivered by the said contractors in the presence of

(Sgd) ARTHUR G. SMITH.

(Sgd) WM. MACKENZIE.
By his Attorney
D. D. MANN.

(Sgd) D. D. MANN.

Immediately upon the execution of this contract we proceeded with our work on the said railway in accordance with the arrangement entered into with the Government, and have been proceeding with such work steadily and continuously from that date to the present time, and during the four months and a half from the 15th of June to the 31st of October (our pay rolls for November not yet being in) our actual cash expenditure in connection with the said work has amounted to \$13,807.08, being an average of over three thousand dollars per month since the execution of the contract.

In the month of August, happening to be in Victoria and having had no communication with the Government since the signing of the contract, we called upon some of the members of the Cabinet (the personnel of the Government having been changed in the meantime) and discussed railway matters, and at that time the Honorable the Finance Minister and the Honorable the Attorney-General intimated that they had some doubt as to the validity of the contract on account of its being so drawn that taken in connection with the bond it would allow us to abandon construction if at the next session of the Dominion House we were unable to obtain any supplemental aid from the Dominion Government, without incurring any further loss than the loss of the money up to that time expended by us upon the road. The Honorable the Finance Minister and the Honorable the Attorney-General did not at that time, according to our recollection, state that the work which had been done was not to the satisfaction of the Lieutenant-Governor in Council. Indeed, the question of work done was not, according to our recollection, discussed at that or any subsequent interview held by us with the members of the Government. They did, however, request us if we had any proposition to make to the Government, to make the same in writing and lay it before them.

After such interview we took legal advice upon the validity of the contract and bond, and also as to the course to be adopted by us respecting the proposed letter to the Government; and we were then advised that so far as the bond was concerned none whatever was called for by the Act in question, and that the very object of the Act itself, that is as to obtaining supplemental aid from the Dominion Government, could not possibly be carried out if the contract were made in other form than that adopted, and that the contract was only that which was contemplated by and valid under the provisions of the Subsidy Act.

We were further advised that as we had in every way complied with the terms of the Subsidy Act and the contract executed thereunder, and the arrangements made by us with the Government there was nothing for us to lay before the Government by letter without making an apparent admission that we were in some respects at fault, which from our standpoint was not the case.

Acting upon this advice we instructed our solicitor to call upon the Government and state the conclusion at which we had arrived, which he accordingly did; and the members of the Government so interviewed by him, namely, the Honorable the Finance Minister and the Honorable the Attorney-General did not state to him any more than they had already done to us, that the work which we had been doing was not to the satisfaction of the Lieutenant-Governor in Council, indeed, we at that time left Victoria, after several further interviews with other members of the Government, subsequent to the one mentioned above, with the distinct impression and understanding that the Government did not wish or intend to interfere in any way with the contract under which we were working.

The first intimation we received from the Government that the work which we were doing under the contract was not to the satisfaction of the Lieutenant-Governor in Council was contained in a letter received from the Honorable the Finance Minister and dated the 19th of October, 1898, which reads as follows:

Finance Department, Victoria B. C., 19th October, 1898.

Messrs. William Mackenzie and Donald D. Mann, care William Mackenzie, Esq., Toronto:

Gentlemen:—As I observe in a paragraph in a Provincial newspaper it is stated that you have a party surveying in the Boundary Creek District, in connection, it is said, with a contract which you have with this Government to construct a railway from Pentleton to Midway. I beg to state that this Government cannot admit that you have complied with either the spirit or the letter of the agreement of June 15th last, between yourselves and this Government, as set out in clause 2 of said agreement.

The Government, therefore, holds that said agreement is at an end. The same remark will apply to an agreement of June 16th last, for the construction of a railway from the coast to Pentleton, and one of June 16th last, for the construction of a railway from Teslin Lake to the coast, although such a statement is, perhaps, unnecessary, as the Government is not aware that you have ever made even a nominal step towards the carrying out of these two agreements.

I have the honor to be, Gentlemen

Your obedient servant,

(Sgd) F. CARTER-COTTON,
Minister of Finance.

This letter being addressed to us at Toronto, was not received for some days, and when received was answered by us as follows:

Toronto, Nov. 1st, 1898.

The Honorable F. Carter-Cotton, Minister of Finance, Victoria, B. C.:

Dear Sir:—Your letter of the 19th October reached Toronto after our Mr. Mackenzie had left for England, and it was not until yesterday that the writer, Mr. Mann, received it. Your letter is a surprise to us, as, in accordance with the terms of the contract for the railway from Penticton to the Boundary, work was commenced within the time mentioned in the contract, and has since been carried on in accordance with our understanding of the contract. The same remarks apply to the contract for a line from an ocean port to Stikeen and Teslin Lake. We must protest against the contracts being considered as at an end, and we hope the Government will reconsider its decision. Your early reply is respectfully asked for, as our men are still at work. Kindly address your letter to Mackenzie & Mann, Toronto.

With reference to the contract for the line from the coast to Penticton, we call your attention to the fact that by its terms we are not obliged to commence work before May 8th, 1899, but we have had surveyors on the route.

Yours truly,

(Sgd) MACKENZIE & MANN.

To this last letter the following answer was received:

Finance Department, Victoria, B. C.,

21st November, 1898.

Messrs. Mackenzie & Mann, Toronto, Ont.:

Gentlemen:—I have the honor to acknowledge the receipt of your favor of the 1st instant.

I am at a loss to understand how the contents of my letter of the 19th ultimo could have been "a surprise" to you, since the same were identical with the views held by the Government and stated to you very explicitly in the interview between the Attorney-General and myself and both members of your firm in my office last September.

While it is not the desire of the Government to take any action which could in any manner be considered as arbitrary or unreasonable, it is impossible for it to extend the authority or disregard the instructions of the Legislature, as defined in the Public Works Loan Act, 1897, and amending Act.

The Government considers that the arrangement which you state was entered into with you by the late Government does exceed the authority conferred by the Legislature, and is consequently void and of no effect.

Even had it been otherwise, the fact that you have purposely postponed doing any substantial work on the Penticton-Midway road until you can be assured of receiving financial assistance from the Dominion Government, would make it impossible for the Government to give that approval to the manner in which the work has been prosecuted, which by sub-section 1 of section 9 of the Act is an essential condition precedent to the granting of the subsidy.

I have the honor to be, Gentlemen

Your obedient servant,

(Sgd) F. CARTER-COTTON,

Minister of Finance.

On the 22nd of November we called upon the Government and had the honor of an interview with the Council concerning these matters. At this interview we recapitulated the facts which are set out in the foregoing portion of this letter, and we further pointed out that if we were prevented by the Government from continuing with the present contract the building of the road in the Boundary Creek District would be very seriously delayed, or indeed rendered absolutely impossible at the present time from the fact that as the Subsidy Act required not only that a contract should be entered into with the Government for the purpose of earning the subsidy, but also that work thereunder should be commenced on or before the 8th of August, 1898, the Government could not now legally let the contract for that purpose to any one. We further stated that it was impossible for anyone to build the road in question without having Government aid, and that there was no one at present entitled to any such aid except the Columbia and Western Railway Company, who, under their charter, need not complete such road until 1901; and furthermore, that the building of this road by the Columbia and Western Railway Company committed the Province to the alienation of over two million acres of public lands. We further pointed out that if, as was quite possible, no person, firm or company could be induced to build this road under the Provincial subsidy alone, un-supplemented by Dominion aid, the action of the

Government in putting an end to the present contract with us, as suggested in the letters of the Honorable the Finance Minister, on account either of the contract or the amount of work which had been done by us up to that time (both of which, as explained above, were rendered absolutely necessary in order that we should be unfettered in our application for Dominion assistance) could only result in depriving the Boundary Creek District of the construction of the road in question for some years to come, and this through the Government adopting a policy which was directly the opposite so far as the obtaining of Dominion aid was concerned, to that outlined in the preamble of the Subsidy Act as set out above.

Upon our making these representations to the Council they stated that there had been on their part up to that time an ignorance of many of the facts which we had stated to them, and that the letters in question from the Honorable the Finance Minister had been written under such misapprehension, and that furthermore such letters did not necessarily mean that the contract was put an end to, and that in any event the Government had not finally decided upon what course to adopt in connection with this matter, and that it was still open for them to consider, and that they, having heard us, would consider it and give us an early reply.

Subsequent to this interview we informed some of the members of the Government that we would attend in Victoria during the early part of the present week for the purpose of receiving an answer from the Council with reference to the matters which we had laid before them, and we accordingly waited on the Council to-day, when, owing to the pressure of business, they were unable to receive us. We were however, officially informed that they had not as yet come to a decision upon the matters in question, and we were requested, in order to assist them in arriving at such a decision, to prepare a full statement in writing of all the matters which we had previously laid before them verbally, which is the occasion of our writing this letter.

We sincerely trust that the Council may be able, as we are quite certain they are anxious, to give us an early and definite reply to this letter.

We are at the present time continuing our expenditure in accordance with our original agreement with the Government, and if we are to be prevented from completing the contract, the Council will see the justice of preventing us from incurring any heavier loss than is necessary.

There is another matter which we laid before the Council at our interview with them on the 22nd inst., and which you were kind enough to state you would consider, and which we presume you intended that we should refer to in this letter to you: This is the matter of the expenditure incurred by us in building the trail from Glenora to Teslin Lake.

In the spring of last year large numbers of people, as you are aware, were travelling north to the Klondike gold fields, great numbers of whom were taking the Stikine-Teslin Lake route. Complaints were being daily received at that time by the Government with reference to the condition of transportation from Glenora to Teslin Lake, and the Government was being strongly urged to immediately construct a wagon road between these two points.

There was, however, no sufficient appropriation of money for the purpose of building any such trail at the disposal of the Government, and the Legislature in the ordinary course of events would not sit for nearly a year. Under these circumstances the Government decided to build a trail, notwithstanding the want of an appropriation for that purpose. They accordingly directed such work to be commenced and carried on under their own supervision until some time in the month of June.

In or about the month of June, 1868, the Government entered into a contract with us for the construction of a railway from an ocean port in British Columbia to Teslin Lake, under the terms of which we were entitled to a subsidy of \$4,000 a mile. It, therefore, became necessary for us to send survey parties immediately into the district through which the Government was building the trail in question, and we accordingly did so. The Government, knowing that we were upon the ground and being of the opinion that with our experience we could build this trail more cheaply than they, and furthermore, having arranged with us that the cost of the construction of the trail should be subsequently deducted from the amount of any subsidy received by us under the contract in question, on the 10th day of June entered into a contract with us for the completion of the trail already commenced by them between Glenora and Teslin Lake, as contained in the following letters:

Premier's Office, Victoria, B. C.,
June 15th, 1868.

Messrs. Mackenzie & Mann, at Victoria, B. C.:

Sirs:—I understand that you have built a wagon road from the Stikine to the Summit, in anticipation of railway construction. If not already built to the Summit, and you immediately do construct it, and from the latter point at once continue a trail satisfactory to the Government Agent to Teslin Lake, or to such point

between the Stikine and Teslin Lake as the Government may hereafter determine, we will undertake to pay you on monthly payments the actual cost of such construction of such trail, together with the usual contractors' profit (15 per cent.), to cover supervision and use of plant, on the understanding that the amount so paid shall be deducted from any moneys that may become payable to you for building a line of railway from Teslin Lake to the Stikine River under your contract with the Government.

This construction will, of course, take place under Government supervision, and be carried on expeditiously, with the object of and so as to relieve the congestion of travel and traffic by the Stikine route.

If this is satisfactory to you, we will have a formal contract on this basis prepared.

I have the honor to be Sirs,
Your obedient servant,
J. H. TURNER.

Vancouver, B. C., June 16, 1898.

The Honorable J. H. Turner, Premier:

Dear Sir:—We beg to acknowledge receipt of your letter of the 15th inst., with reference to wagon road and trail from the Stikine to Teslin Lake, and in reply would say we accept the terms of same.

We are, yours truly,

MACKENZIE, MANN & CO.,
Per L. Lukes.

In accordance with the terms of this contract we proceeded immediately with the construction of the trail, and continued such work until September last, when we were stopped by an order from the Government, after an expenditure of about \$80,000.

The Government sent their engineer, Mr. Gamble, to examine and report upon the manner in which the trail had been constructed. Mr. Gamble returned to Victoria after such examination of the trail during September last, and subsequent to his arrival he, on behalf of the Government, communicated with us, enquiring when it would be convenient for us to submit the vouchers for our expenditures upon this trail to him for examination, to which we replied that we were prepared to submit these vouchers to him at any time that would suit his convenience; but we have not had any further word from him.

In or about the month of August, 1898, the Government, after ascertaining the amount of the claims against them still remaining unpaid (amounting to the sum of \$15,000) for the construction of that portion of the trail which was built directly by them, decided to put through a special warrant for the purpose of paying off those claims, and paid them; but although we have frequently applied to them they have always declined to adopt a similar course with us, and have furthermore declined in any way to admit any liability on their part for our claim.

We would be deeply obliged if the Council, after having considered the question of this trail account, would intimate to us, at as early a date as possible, whether they are inclined to recognize this claim, or whether they are unwilling to accept any responsibility for it prior to the coming session of the House, or in the latter event whether they will, upon the opening of the session, recommend to the House the payment of the account.

We have the honor to be, Sir,
Your obedient servants,
(Sgd) MACKENZIE, MANN & CO.

To the Hon. F. C. Cotton, Finance Minister.

APPENDIX C.

EXTRACTS FROM THE DEBATE ON THE CANCELLATION OF THE CONTRACTS AND THE PASSAGE OF BILLS NOS. 75 AND 96.

HON. MR. MARTIN moved the second reading of the bill to repeal certain statutes and portions of statutes, granting aid to railways. He said the bill was intended to repeal certain subsidies of land and cash granted by the statutes of the Province to companies on conditions in regard to railway construction which had not been complied with. The first section of the bill repealed the whole of Chapter 40 of the Statutes of 1890, being the "Railway Aid Act, 1890," and he would point out that a mistake had here arisen, inasmuch as one of the

roads referred to had acted on the conditions of the law, namely the Crow's Nest & Kootenay Lake Railway. He had overlooked the fact that the grant of the British Columbia Southern Railway had originally been given to the Crow's Nest Pass & Kootenay Lake Railway. It was not proposed to interfere in any way with any company that had acted upon the authority or promise of the statute, and he would ask in committee, therefore, that this British Columbia Southern or Crow's Nest road be exempted from the contemplated repeal. As to the Ashcroft & Cariboo road, the C. P. R. branch and one other road, it would be noticed that the statute differed from many subsidy acts, inasmuch as no subsidy had been granted to any of the roads, but the Lieutenant-Governor in Council was invested with authority to make a certain payment in the event of certain conditions being fulfilled. It was now proposed, as these conditions had not been fulfilled, to take away this power from the Lieutenant-Governor in Council.

There had been granted subsidies for railways from Boundary Creek to Pentiction, from Bute Inlet to Quesnelle, the Vancouver, Victoria & Esatern, and a road from Teslin to a British Columbia seaport. None of these had been constructed, but in regard to the line from Robson to the Boundary Creek district although it was not yet constructed, a contract had been entered into between the Government and the Columbia & Western Railway Company, which has a charter to cover this district, by which it is agreed the road shall be constructed, and it is being constructed as quickly as possible. The Bill was not intended to affect that 80 miles of road, nor is it intended to affect the power of the Lieutenant-Governor-in-Council to enter into a contract for the construction of the remaining 100 miles of road from Robson to Pentiction. (That is the section from Midway to Pentiction.) However the intention was to ask in Committee for the repeal of all save this 80 miles of road, the House being subsequently asked to pass a new act with reference to the 100-mile section from Midway to Pentiction, as the time for the Company to operate in under the old Act was now rapidly approaching its termination.

Section 2 of the Bill showed that while the portions of Chapter 38, of the Statutes of 1897, being the Northern Railway Aid Act, 1897, which made provision for land grant subsidies to the Yukon Mining, Trading and Transportation Company (Foreign), and the Stickine and Teslin Railway, Navigation and Colonization Company, had been repealed, the subsidy to the British Columbia Yukon road had been allowed to stand, as the railroad is partially completed and the subsidy will probably be earned.

As to Section 3 of this Bill, the late Government had purported to enter into certain contracts with Messrs. Mackenzie & Mann with reference to the construction of a line of road from Pentiction to Boundary Creek; from Pentiction to Point Roberts, 200 miles; and from an ocean port in British Columbia to Teslin Lake, 400 miles. As a matter of fact no such contracts had been entered into. There had been what purported to be contracts, but they were voided by the insertion of a condition that they should be of no effect unless in the one case a subsidy "satisfactory to Mackenzie & Mann," and in the other case of \$6,000 per mile, should be obtained from the Dominion Government. And as the Statutes contained no authority whatever for the making of such conditional contracts or agreements, the bargain had been void from the beginning. The matter had certainly been understood by Mackenzie & Mann while the late Government could hardly help understanding with such a clause staring it in the face. The real reason for the existence of these bogus and meaningless contracts was that there had been an election pending, and capital was required to enter upon in the contest. These contracts had resulted, and upon them the ex-Leader of the Government and the ex-Attorney-General had made most unfair and misleading statements; assuring the people that contracts had been made that were a guarantee of the construction of these railways at a very early date. These gentlemen could not but know at the time that their statements were not based on fact, and were only intended to delude the electors so as to secure restoration to power.

Mr. SPEAKER suggested to the Attorney-General that he was travelling beyond the scope of the discussion.

HON. MR. MARTIN insisted that he was referring to matters which were within the Statutes and it was necessary to refer to these matters to make the object and scope of the Bill now before the House understood. Continuing, he said that of course the members of the House were much more familiar than he with the discussions which had taken place in the House at Ottawa and on the public platforms regarding these railways, but he was tolerably familiar with the Vancouver, Victoria and Eastern under which character it is supposed Mackenzie & Mann proposed to construct the line to Pentiction and from there to Boundary Creek. There was undoubtedly a feeling among the people of that district that they would like to see a railroad constructed along that course, and no doubt there was a necessity for opening up the Fraser Valley lying to the south of the Fraser River, and any railway that

would serve to bring the coast cities into closer relations with the Kootenay towns would be welcomed, but unfortunately the matter had not been dealt with exactly in that spirit. A great deal of discussion had taken place at Ottawa regarding the building of the line from Robson to Penticton, and also in regard to building that towards the coast. There had been a contest at Ottawa between Mr. Heinze and the Vancouver, Victoria & Eastern people, and it became evident to everyone that that contest was not one in which the welfare of the people of this Province cut any particular figure, but was entirely a question between two promoters, or rather between two rival sets of promoters, as to who could get something out of the charters. It was announced that these two parties having railway charters which cost them nothing, except for a few hundred in fees, had come to an agreement by which the spoils were to be divided, but one of them frankly announced that he had been unable to come to an agreement because he had not received sufficient of the spoils. That is a matter against which the present Government had uniformly fought when in Opposition, and was a matter which had been much discussed in the late election, and the principle upon which the arguments were based was that no man should be allowed to make money out of the simple promotion of railways without investing any money, but that whatever was done in railway promoting should be done by substantial capitalists. Mr. Martin said he had a great deal of experience with people who have held railway charters, and it had invariably been his experience, and the experience of the people of Canada, that the system of granting a bonus to a company of men without capital had resulted in the railway being held back and not built as soon as it otherwise would have been, and in the public money being diverted into the pockets of men who had done nothing. That is the kind of thing that must stop, that ought to be stopped. No money which is given by this House should be used in that way, and that state of things has given rise to the idea, and it is a growing one in the Dominion, that the state should build, own and manage its own railways, even though the railroad be run at a loss, for legislation can be brought to bear to bring it in the interests of the people and not allow it to be run against the interests of, and, to use a common expression, for the purpose of "cinching" the people it is supposed to benefit.

The Vancouver, Victoria & Eastern Railway had been much discussed in Vancouver during the late election, and the principle now enunciated had been laid down by the Opposition, then and that being so and the present Government having been returned to office on the strength of the promises it had made in this regard, the proper course to adopt seemed to be to wipe away all those promises, except in so far as rights might have accrued, and to leave the matter of railway construction open for the present Government to deal with as best it might. When the matter of building railways came up the Government could then deal with it on the lines it had suggested when in Opposition, acting upon the principles for which it had fought so strongly and which had been accentuated so emphatically in the last campaign.

MR. TURNER said he would like to ask the Attorney-General if he was to understand that the present Bill will be amended so that it will not affect the grant to the British Columbia Southern or Crow's Nest line or the Robson to Boundary or Robson to Penticton lines.

HON. MR. MARTIN said that with the exception of the British Columbia Southern that was so expressed in the Bill.

MR. TURNER: "I am glad to hear it." He looked upon the Bill as a measure of repudiation—nothing more and nothing less. The Attorney-General had strayed far from his text and had made a purely political speech, neglecting the subject matter of the Bill almost entirely. In this course he (Mr. Turner) did not propose to follow. The Attorney-General had said that the late Government had made certain contracts that were not contracts at all; in the next breath he had pronounced the agreement between the railway men and the Government a contract with certain conditions or restrictions. As to the Victoria, Vancouver and Eastern Railway, anyone familiar with the nature and conditions of the country to be traversed would know well that the building of the road could not be a possibility without a substantial subsidy being granted. The history of the promotion of that line was well known too. It was a line which if constructed would prove of the greatest advantage to the Province, bringing the Coast and the Kootenays into touch, and conferring prosperity upon the lower Fraser, Vancouver City, Victoria City, and Vancouver generally. There had never been, nor could there be, any chance of getting such a road built for such a subsidy as British Columbia alone could give, this being clearly evidenced by the history of the Crow's Nest road, which evidenced that no matter how rich the country traversed might be, the road could not be constructed without the Dominion supplementing the assistance of the Province. There had been every reason to believe when this bargain was made with the Victoria, Vancouver and Eastern people that the Dominion would meet the Province in its efforts to secure the construction of the line, and that the road by this time would be

well along in construction. The Dominion Government had the matter still under its consideration, however, and there was every reason to believe that the negotiations would yet have a satisfactory conclusion if the grant were permitted to remain on the statute book. That was if the Province of British Columbia did not adopt the policy of repudiating the contract to which the Attorney-General had referred would become perfectly good and valid as soon as the Dominion gave its supplementing assistance. The subject was of the greatest interest to all the people of British Columbia, and all would hail with gladness the construction of the road. The position of affairs with regard to the northern line to Teslin Lake was very similar. The assurance had been given by a Dominion Minister that if the Province gave this assistance the Dominion would contribute yet more liberally.

HON. MR. SEMLIN—"Which Minister?"

MR. TURNER did not answer, whereupon

MR. MARTIN said—"Has the honorable gentleman any objection to saying which Minister?"

MR. TURNER said he did not think it was necessary and he thought Mr. Martin would believe him in the matter.

MR. MARTIN—"I don't know anything about it; it is the first I have heard of it."

MR. TURNER, continuing, said that as to the other lines interested in the subsidies that it was proposed to repeal—their promoters had been put to considerable expense and were yet persevering in their endeavors to put their projects through. If their subsidies were revoked the chances of the Province gaining these useful roads would be killed. One of these roads he might specially refer to—the Ashcroft & Cariboo—on which he knew the promoters several projects through. If their subsidies were revoked the chances of the were working at the present time. Should this Bill pass their project would undoubtedly be killed. The passage of this Bill would go far toward preventing the development of British Columbia by railway construction, and taking all these matters into consideration he could not give his vote for the second reading of this measure, which could not but be accepted as a measure of repudiation on the part of the Province of British Columbia.

MR. EBERTS thought this bill of which the Attorney-General had moved the second reading the most wonderful piece of legislation that had ever been brought before the legislature of any province by its Attorney-General. The very first section proposed to take away the grant that a company had actually earned by constructing the road through the Crow's Nest Pass in accordance with a contract made with the government—a contract carried out in perfect faith. That such repudiation was even contemplated was calculated to disturb the confidence of capitalists in British Columbia to a most prejudicial extent. And now the Attorney-General came forward blandly and once more said it was simply a mistake. Such very important mistakes appeared to be occurring in all that honorable gentleman's legislation. There had been such a mistake in the Provincial Elections bill. There had been such mistakes in one or two other measures since. As soon as it was apparent that the government was going beyond the limits of what the people would put up with, the most objectionable feature was quietly withdrawn. It was merely a mistake. On the present occasion he felt bound to agree with the Attorney-General—the whole bill was a mistake. Had it been a mistake he would ask, on the part of the late government to recognize the unbounded richness of the province whose destinies had been entrusted to their care, and its great mineral richness, and to inaugurate a policy having as its keynote the development of these vast resources. Had it been good policy to open up the Kootenay and the Slocan? Had it been good policy to develop a revenue of \$25,000 up to \$350,000, and that in a very short period indeed? Could this be said to be bad policy? The Attorney-General had said that the railway legislation which it was here proposed to repudiate had been devised with the object of catching votes at the late general election. How could this be when the acts referred to had been put upon the statute books eighteen months before an election was so much as thought of.

Hon. Mr. Martin (interrupting) observed that it was not the statutes that he had referred to, but the announcement of contracts.

Mr. Eberts continued that he would be able to show that the words of the Attorney-General here too were unjustifiable. Referring to the Boundary Creek and Pentiction road, it had been thought well in the last year of the legislature to accentuate the fact that the late government had laid down in railway promotion—that not a dollar should be paid until the road had been built and completed to the satisfaction of the Lieutenant-Governor in Council.

The debate continued at considerable length and the report is crowded out of this issue. It was eventually adjourned, and the house proceeded to other business, advancing many bills a stage before adjournment at 11:30.

MR. EBERTS, continuing the speech, the first part of which appeared in yesterday's issue, proceeded as follows:

The money and the land of the people had ever been so safeguarded. No one could say that broad-gauge railways in a mountain country like British Columbia could be built for anything like \$4,000 per mile, and one only had to read the preamble of the general act to see how distinctly in the very first section it was intimated that Dominion assistance was contemplated and expected. The proportionately greater advantage accruing to the Dominion was fully emphasized, and it was with a view to holding up to the Dominion government the fact that British Columbia was desirous of opening up her mining areas, while recognizing that it was the duty of the Dominion to come to her assistance in so doing, that the act of 1898 was passed, accentuating the act of 1897, and saying to the people of the Dominion and to the world that we are so desirous to hasten the construction of such lines as are required for the opening of our mines that if the Dominion will assist us in our policy we will give an additional \$4,000 per mile for such roads as we find necessary. In such a country as British Columbia bold legislation alone could be effectual; the Cheap John method would kill the country. The late government had had confidence in the country and had done all that was possible to induce capital to come in and roads to be built—as evidence the road now in construction from Robson to Midway, opening up the great resources of the Boundary Creek country. As to the conditional contracts referred to by the Attorney-General, he (Mr. Eberts) firmly believed in them, and further, that the bargain made therein would yet be carried out, unless, as was now proposed to be done, repudiated by the Province. If contracts were entered into, be they provisional or otherwise, the honor of the Province demanded that they be adhered to. In connection with all these roads that were referred to in the bill before the house, work had been done—perhaps not actual railway building, for surveys had necessarily to go before—and to repudiate the promises on which the expenditures in question had been made would be to work grave injustice upon the railway people interested. The late premier had been perfectly sincere in his statements that the roads referred to by him would be built in accordance with the statute, and it was going too far to be justified by political antagonism or unfriendship to cut off as was proposed the opportunity of the railway people interested to complete their contracts with the people. In regard to the position taken by the Attorney-General, that it would be the proper way for the people of British Columbia to build, own and operate their own railways—

Hon. Mr. Martin—I did not say that.

Mr. Eberts proceeded to quote the honorable Attorney-General's words.

Hon. Mr. Martin—Well, if I did say that, I did not mean it. I had no intention of expressing myself on the question of state-owned roads.

Mr. Eberts was quite prepared to admit this as yet another of Hon. Mr. Martin's curious mistakes. Yet when the opportunity offered it would be found that the government would be quite prepared to go in for this state ownership of railways. He for his part was quite agreed that the people should get all they could for the money or land put in railways, but state railways could never be made to pay in British Columbia, and in this connection he took the opportunity of quoting the opinion of so eminent a writer—himself an advocate of state-owned roads—as Mr. Willison, editor of the Toronto Globe, who, after most careful research, had arrived at the conclusion that railway nationalization was quite impossible in British Columbia, if not in Canada. British Columbia could not go into the money markets of the world and borrow fifty or sixty millions to build railways that at best were speculations. The province of British Columbia was in an essentially different position from other of the provinces and the western states, and he only hoped that the Government would adopt this fad of nationalization of railways before the next general election, so that they might learn the feeling of the people in the matter. He was sorry, however, to see a bill of the character of the present brought into the house. Allowing the acts affected to remain on the statute book could do no harm, for unless the railways referred to were built, not a dollar would be expended of the public money. Two roads were now coming into operation, and others would unquestionably be built, carried out as contemplated, unless this new Government persisted in its determination to cut the ground from under the feet of those who were desirous of giving British Columbia railway communication—in which event British Columbia would certainly be retrograding rather than progressing. There could be no possible harm in keeping the rights on the statute book that now existed, and

as he did not believe in the doctrine of repudiation, he should certainly not vote for the second reading of this bill.

MR. HALL confined himself chiefly to the bill before the house in its application to the Victoria, Vancouver & Eastern project, and what had been said in connection therewith. He denied that the promoters of that road had done ought, to merit the remarks that had been made by the gentlemen opposite. Representations had been made to the Government from various parts of the Province in behalf of the road, and the assurance was forthcoming that if the not extraordinary sum of \$4,000 were obtained from the Province, additional aid could also be got from the Dominion. The Government and the promoters of the road had both acted fairly and squarely for the benefit of the Province, and now the Attorney-General came forward and said—declared—it would be for the benefit of British Columbia to cancel this intelligent legislation. It seemed to him that there was one ounce of benefit to British Columbia and one pound of benefit to the Government that was contemplated. As to the railway promoters, they were good men of British Columbia, and even if they did make a little out of their promotion of railways, that could not but prove of the greatest value to the Province, they at the same time interested the capital that would build the roads, and were entitled to a fair return upon their enterprise and their efforts. He thought that if the members of the House assented to such a bill as this they would be committing a great wrong. He would oppose the second reading, and he asked all who believed in right and fair play to do the same.

COL. BAKER commented caustically upon the silence, as usual, of the Government forces, who might be driven to vote for but could not defend legislation such as that before the House. As for the Attorney-General, he appeared to be so saturated with political trickery that he could not understand or realize how any legislation or any action of a government could be for any other purpose than to catch votes. He could not apparently rise even to a comprehension of statesmanship. And as for the railway builders of the country, he could only see that they were making something by their enterprise—he could not see that at the same time they were developing and opening up the country at an immense profit to all of the Province and the people. Every one of these new roads—development roads they might be called—greatly added to the population of the Province, and from every man coming in the Dominion undoubtedly reaped twice what the Province did. It was therefore only fair that the Dominion should be called upon to pay its part of the initial cost, and when the Attorney-General complained that contracts should be conditional upon the Dominion doing its duty, he took a very peculiar position. It would indeed have been that the Province was not doing its duty had it failed to make just such stipulations. The roads in question would by this time have been built, or well under way, had the Dominion done its duty—

Hon. Mr. Cotton—But they didn't.

MR. HELMCKEN congratulated the member from Revelstoke on having had the hardihood to break the rules and discuss the measure before the House. His argument had been very weak, however. He seemed to be losing both his humor and that common sense he had possessed when occupying a seat at the Victoria member's right hand. He agreed with Mr. Kellie, however, on one thing—a bill was either good or it was bad. This one assuredly was bad. As long ago as on the 30th January last he had applied to the Government through the House for certain correspondence that would enable the members to intelligently consider such a question as had been brought before them. That correspondence was between the late and the present Government and Messrs. Mackenzie & Mann, and though he had repeatedly asked for it, he had been unable to get it. The reason assigned was that one of the clerks was ill. Surely it was not fair that through such a cause the House should be prevented from discussing with intelligence and knowledge of the facts so radical a measure as this present one—a bill which proposed to introduce for the first time the principle of repudiation in his native Province of British Columbia. Such legislation was a disgrace to the Province, and of this fact he thought all honorable members would be more than ever convinced when they had an opportunity of considering the correspondence he had asked for—but not obtained—from the government, but which he had obtained through a private source, and now had the pleasure of reading to the House.

The honorable member here proceeded to read the correspondence appearing elsewhere in this issue, the Speaker during the reading "seeing 6 o'clock."

Concluding the reading of the correspondence, Mr. Helmcken argued that by the bond therein set forth substantial guarantees had been secured, while the obligation rested upon the Province to wait upon the railway company until it could be learned what the Dominion Parliament would do at its next session. The correspondence he had read showed conclusively, distinctly and sufficiently that a contract had been entered into between the Government of British Columbia and Mackenzie & Mann, that that contract was a valid and binding one, and that there was no reason to believe that it would not be executed on the part of the firm named. Then why should the breach of faith contemplated in this present bill be perpetrated—a contract with a perfectly valid bond be terminated without the contractors being permitted to do as the contract explicitly set forth they should—go before the Dominion Parliament at its next session for a subsidy? There was no obligation upon the Province until the stipulated work had been duly performed by the company interested, nor was the treatment of the contractors now contemplated such as any man was entitled to receive at the hands of the Government of any province of Canada. The bill, he held, should not receive a second reading, but the members on both sides of the house should join in expressing their disapproval of it, involving as it did the most pernicious principle of repudiation, and containing no good point upon which to base a legitimate defence.

MR. BOOTH thought that after hearing the correspondence read by the senior member for Victoria the Finance Minister would have something to say in his own defence and defence of this measure. He could see no other inference to be drawn than that the correspondence referred to had been purposely withheld in order that this bill might be got through the house with the members in ignorance of the salient facts. He emphasized the fact that the companies assisted by the late government got not one dollar of public money until their several undertakings had been satisfactorily completed, and at a cost of many times the subsidies involved. If the present Government did not want roads built, why did not they come out openly and say so, instead of adopting their present dishonest methods of procedure, as illustrated in this withholding of correspondence. He strongly opposed government ownership of railways, as leading only to bankruptcy, and not to be thought of in comparison with the broad-minded policy of the late Government, so eminently practical and business-like and so fruitful in excellent results. As for the present bill, it was clearly repudiation in its worst form, and he would in consequence vote against it.

MR. M'BRIDE thought it his duty to condemn this legislation, which was for the purpose of impairing the commercial development of British Columbia. It was a bill apparently that was purely and entirely the work of the introducer, and had for its purpose the tearing down of all that had been done in years for the development of this country by men of long experience in the Province, and who had given their best thought as to the methods to be pursued in the promotion of its true interests. He denied that the members for Chilliwack, Westminster City and Lower Vancouver could justify to their constituents a vote for this bill, which he regarded as a monstrous one. He objected, too, that the legislation here presented had not been foreshadowed in the speech from the throne, and passed in turn upon the curious "mistakes" of the Attorney-General in so many of his important acts—evidence either that he exhibited grossest carelessness in the preparation of these measures or that there was something worse behind. The fact that the Government proposed no policy of development in substitution for these railways that they proposed to make an end of; the value of the railway promoter to the country; the silence of the Government members, and the unquestionable repudiation here involved. The action of the Government in going back upon the legislation of the past years and condemning the policy that had been proved for the advantage and the upbuilding of British Columbia would, he believed, be taken as the beginning of the end—the downfall of this present Government who would enunciate such a doctrine.

HON. MR. COTTON followed Mr. Deane in the debate on the second reading of the bill to repeal certain statutes granting aid to railways. He was received with Government cheers and Opposition counter cheers. He said he had not intended to say anything in the debate, because every honorable gentleman who considered the matter impartially must have seen that the explanations made by his honorable friend and colleague, the Attorney-General, were quite correct as to the wisdom and propriety of having introduced this bill. Honorable gentlemen on the other side of the house had expended a great deal of effort in piling up a mass of fiction, which could be broken down in about two minutes.

(Cheers.) They had assumed that the Government, in introducing this bill, was trying to destroy a "railway policy" which promised great things to the country. Now he would like to see one tangible result of this much-vaunted railway policy that the House had heard so much about. Except the name, honorable members opposite could not show anything in the way of benefit from their so-called railway policy in the Province. The honorable member for South Victoria (Mr. Eberts) held up that afternoon for the admiration of the Province the great work which his Government had done by means of that policy in building the Crow's Nest Pass Railway, but he could not have brought forward an example more damaging. What were the facts? Why, that the Province had been robbed of millions of dollars' worth of coal lands to build that railway. (Government cheers.) With what result? Did it build a mile of that railway? No, it built up three or four millionaires in the East and made three or four very rich men in the Province. As regarded the construction of that road, he challenged honorable gentlemen on the late Government side to show they built one mile. The Dominion Government had come to their rescue and gave about four millions of dollars of the money of the people of this country, in order to get the Canadian Pacific Railway to complete the building of that railway. The coal lands—enough to build half a dozen such railways—had passed from the people, and the Province was so much the poorer, yet the House was told that this was a magnificent instance of the railway policy of the late government.

COLONEL BAKER enquired why the coal lands did not build the railway.

MR. COTTON said it was because they were so manipulated that they were not available for the men who would have built it. He could quite understand the honorable gentleman sat very uncomfortable in his seat when he said that the people understood what was done in connection with that so-called railway system. He (Mr. Cotton) did not propose to take up the time of the House in going into these matters; too much time had already been wasted upon a matter which required no discussion on its merits. Honorable gentlemen on the opposition side had dared to cast at the Government and its supporters the word "repudiation." That reminded him of the old lady who said she never found comfort in a sermon unless it contained the sweet word "Melchisedec" (laughter), and so the late Government howled "repudiation." Where was the repudiation, if there was any? If the Government followed the course proposed by the Opposition, it would do nothing less than be a party to a fraud on the Dominion Parliament and the people of Canada. The correspondence which the honorable senior member for Victoria City (Mr. Helmcken) had read, showed conclusively that Messrs. Mackenzie & Mann acknowledged that they had no contract or agreement with the Province, and yet the Government was asked to try and justify the action of the late Government to the people of the Province by saying there was a valid agreement between Messrs. Mackenzie & Mann and the Province, and so aid them in getting a bonus from the Dominion. That correspondence showed also that Mackenzie & Mann knew that if it became known in Ottawa that they had a valid agreement to build this railway, it would be ruinous to their hopes of getting any money from the Dominion Parliament. That was the reason the present Government, when it came into office, supposed—from what the honorable leader of the Opposition said in his (Mr. Cotton's) hearing and all through the country—that the late Government had made agreements with Mackenzie & Mann and had \$75,000 locked up in the treasury which insured the completion of the lines of railway. The leader of the Opposition reported that statement in a telegram to Vancouver. The honorable member for Chilliwack (Mr. Munro) would remember Mr. Turner making that statement. What did the Government find when it came into office and asked for the contracts and asked for the \$75,000? Did it find a valid contract or security for one cent? No; but it found an agreement purposely intended to deceive two classes of people—the Dominion Government and the people of British Columbia. He was surprised when the senior member for Victoria read the correspondence in support of his argument. He gave the honorable gentleman credit for greater legal acumen and common sense than to read statements which utterly contradicted and condemned what he was trying to foist upon the House. What did that correspondence show? It showed that Mackenzie & Mann say they must not be fettered; that they must not enter into an agreement with this Province which might amount to anything, because it would then be hopeless for them to expect to get any assistance from Ottawa. If honorable gentlemen at Ottawa knew Messrs. Mackenzie & Mann were going to build with the assistance of this Province, they would say: "We are not going to give the public money to do what you are already obliged to do." But honorable members of the late Government were willing to let it go on, and took steps to mislead the people both on the platform and in the press, saying that they had bound down Messrs. Mackenzie & Mann to do what they wanted. This was done to gain votes, but when the present Government came into office it was able to expose the fraud which the late Government had perpetrated on the people of the Province. (Opposition cries of "order, order.") Honorable members did not like plain talk, but the time had come for plain talk.

Replying to the remark of the honorable member for South Victoria (Mr. Eberts), he remarked that the Government had given its pledge to the people of

Boundary Creek and East Yale that the road would be built. The Government proposed to carry out a railway policy that was practical, and had made up its mind to clear the decks of all this old rubbish.

Did the doing away with this bogus contract mean that the road from Pentleton to Boundary Creek would not be built? No; the Government was under pledge to the people to build, but under conditions in which the rights of the people would be protected. (Cheers.)

Messrs. Mackenzie, Mann & Co. had interviewed the Government last November, and had held threats over the head of the Government. They had intimated that if the Government did not let them go on with the agreement made with the late Government no one else would be permitted to take up the contract. It was for this reason that the Government intended to repeal the acts. There was nothing in all the alleged contracts to show that the Government was in any way bound to Mackenzie & Mann. When the subsidy was repealed the Government would look into the matter of letting new contracts for the road, Mackenzie, Mann & Co., if they were better able to build the road than any other firm, and very likely they were, would have their chance then. But was that the matter that was bothering the Opposition and the people who were seeking to defeat the bill?

"No," said Hon. Mr. Cotton, "that is not the trouble at all. The trouble is that if Mackenzie & Mann do not get the contract from the present Government the syndicate behind them will not come in for its blood money. That is the reason that our lobbies are filled with men who are button-holing members of this House in every way, so that no one can go to his seat without being cross-questioned as to how he was going to vote. I have protested against that kind of thing before. I say again that it is outrageous that this sort of thing should go on in this legislature. If this bill passes—I am sure that it will pass with a big majority—these lobbyists will understand that they had better keep away from the precincts of this House." The Government, continued the Finance Minister, did not go about with a placard on its back announcing its great railroad policy, but it was a business Government and would go about its railroad work in a business way. As to this bill working an injustice to the people who had the charters, it was simply a matter of speculation with them, and they had not constructed a single mile. If men chose to speculate in railway charters and lost money, it was nobody's fault but their own. Railway promotion, as carried on in this Province had worked untold harm to the country. Mr. Cotton went on to review the history of the struggle between the Heinze faction at Ottawa and the Vancouver, Victoria & Eastern people. The late Government had given two charters to build over one piece of road, and when the rival parties went to Ottawa, the Minister of Railways had simply told the contestants that when they could settle their own quarrels they could then come back and get their charters at Ottawa. The consequence was that neither had secured the desired aid, and the line had not been built. The Vancouver, Victoria & Eastern scheme was the Fraser River & Burrard Inlet scheme under a new name, and had been brought forward to recoup those who had lost money on that scheme. The present Government would have nothing to do with these paper charters. It would clear them all away, and when the sophistries of the Opposition were made clear to the people and the full purport of the bill become known, the Government's action would be even more thoroughly endorsed by the Province. He closed by saying that the Government would be persistent in the course its members had consistently advocated in Opposition. (Loud Government cheers.)

Mr. Higgins, in moving the adjournment of the debate, said it was utterly impossible to get a complete view of the question from the correspondence at the present moment. He for one wanted more time to consider it.

NOTE.—The debate was then adjourned on the motion of Mr. Higgins.

(Colonist, February 24.)

THAT DELAYED RETURN.

Hon. Mr. Huie presented a return of correspondence and agreements between the Government and Mackenzie & Mann, asked for on the 30th of January last by resolution of Mr. Helmcken—this being the correspondence which the senior member for Victoria had failed to get before the debate on the Subsidy Reproduction Bill came on, and who, having privately obtained it, he had read in the House on Wednesday evening.

The return was received with Opposition laughter.

Mr. Higgins inquired as to what the return contained, and as to whether or not it would be printed?

Hon. Mr. Martin replied that a large part consisted of the report of Mr. Gamble as to the Teslin trail, and which would already be found printed in the report of the Lands and Works Department. There would be no occasion to print this again.

Mr. Higgins, not yet satisfied, asked if there was any additional correspondence—correspondence that had not been included in that printed by private enterprise and introduced by the senior member for Victoria?

Hon. Mr. Martin replied negatively, and the matter dropped.

SPEECH OF MR. MCPHILLIPS, CONTINUING DEBATE ON BILL NO. 75.

MR. MCPHILLIPS, the junior member for the City of Victoria, said that this Act could not be said to come as a surprise. We had seen this legislature pass upon a bill to repeal certain statutes and portions of statutes granting aid to railways which received aid for a railway over exactly the same territory, in fact, over the very same route, and we had seen the solemnity of contract disregarded; further, we had seen principle cast away in the ruthless destruction of contract, so that for British Columbia at least it cannot be said that the infallible justice of the Crown obtains. Notwithstanding all this, and when Messrs. Mackenzie and Mann were so ruthlessly set aside and the Victoria, Vancouver & Eastern Railway Company has been shoved aside, we see the effrontery of legislation of this character, which can only point to the construction of a link in that already great system of railway which now, without competition, is in control of the mineral area lying immediately north of the international boundary line, i.e., the Canadian Pacific Railway. There is no thought or attempt in discussing this question to belittle the C. P. R., or take away from it the great praise to which it is entitled, still when we see a Government providing for Provincial aid to a short line of road that without other connection must be at the mercy of the C. P. R., and that other connection is made impossible, then we have the practical demonstration of what is feared. According to the statute before us, we have the following provision: "Sec. 8. Said subsidy shall not be given to any railway company not under the exclusive jurisdiction of the Province of British Columbia." What does this mean? It means nothing more than this—that if it is not meant to hoodwink the House—which, with a great deal of truth, might be said—it is the proposed aid to a line of railway which must be wholly under Provincial control. Being wholly under Provincial control, it must be local, i.e., it cannot connect with any road across the boundary and form any connection—say with the Grand Trunk system from Eastern Canada running over the Northern Pacific lines and connections. This at once demonstrates that the people of British Columbia, should they aid such a line of railway, only aid it to make a present of it to the C. P. R. Now the question here is not necessarily one of the policy of having competing lines of railway, but involves a great deal more—if the Province is to be developed as a whole it must not be retarded in that development by confining the channels of trade to one system of railway, which results in leaving many portions of the Province untraversed by railways. The Victoria, Vancouver & Eastern Railway and the contracts made with Messrs. Mackenzie & Mann ensured the building of a line of railway that would give the trade of the Boundary Creek country and the Kootenays to the coast cities and at the same time open up all that splendid southern territory of the Province and especially benefit the lower Mainland. But what have we here—a line of railway from Midway to Pentteton only, which, if constructed by any company independent of the C. P. R., would be wholly at its mercy, and it also follows that by reason of it having no connection with the coast cities other than by the C. P. R., and it being impossible for it to obtain the power to connect at the international boundary with any other system of railway, the road so aided, for all the benefit and advantage the public will derive therefrom, is useless, it merely means a gift to the C. P. R., because whatever company builds it must look to the C. P. R. for its business, otherwise it will have none, and the people of British Columbia will have spent some \$350,000 with no benefit or advantage. When considering this bill it is interesting to note the rapid change of policy on the part of the Government by turning to Bill No. 33, passed this session, being an Act to amend the "Columbia & Western Railway Subsidy Act, 1896," we find this provision: "Sec. 1. The time limited by Section 4 of Chapter 8 of the Statutes of 1896 for defining and projecting the lands to be granted to the Columbia & Western Railway Company, in pursuance of said section, is hereby extended for one year from the coming into force of this Act: Provided, however, that the extension of time hereby given shall not be held to affect in any way any consideration which may arise with respect to said land subsidy." How singular! Here we have this railway, one declared for the general advantage of Canada, and therefore under the exclusive jurisdiction of Canada (see Chapter 61 of 61 Vict., 1898), given until 1901 to build its line of rail-

way over the same territory as aid is proposed to be given in the bill under discussion—that is, the Government has provided that a railway, which is no longer under the exclusive jurisdiction of the Province and which may well be said to have lost its right to any subsidy, is preserved in that right and given further time to build its line and earn 20,000 acres a mile for so doing. What consistency we have here! There is not a question of a doubt that compliance with Section 4 of that Act, which has been extended, was a condition precedent to the right to build the railway and earn the land grant; yet, notwithstanding that the Columbia & Western had lost this right through its own default, its right was revived and confirmed, and this a road beyond the exclusive jurisdiction of the Province. Contrast this action with that pursued by the Government in regard to the Victoria, Vancouver & Eastern Railway and Messrs. Mackenzie & Mann. There all aid was taken away and repudiation rode rampant throughout. These facts make one pause to consider the meaning of it all. Could we believe that all this was done in the public interest or in accordance with the Government's belief of what is in the best interests of the people, while we could not commend or approve it, yet it might be thought to be sincere; but how can this be thought when there is a declared policy of not aiding any railway beyond the exclusive jurisdiction of the Province, and at the same time we see express aid granted, because in effect is a regrant by statute of aid to a railway declared to be for the general advantage of Canada. When all these facts are closely scanned, it becomes patent to all that the scheme is to have the road between Midway and Pentticon built by the C. P. R., i.e., the Columbia & Western, which railway company will receive 20,000 acres of land per mile from the Province, because it is impossible for any other company to be formed that will be compelled to be under the exclusive jurisdiction of the Province, and at the mercy of the C. P. R. and unable to form any connection with any other system of railway, which will be willing to embark its money in such a cul de sac—no connection by way of the lower Mainland to the coast cities and no connection with other systems of railway to the south and on to Eastern Canada. Had the Government come out openly and declared for a policy of no competing lines of railway with the C. P. R., no paralleling of the C. P. R. lines within the Province, we could have met such policy intelligently and considered it in the light of what is best for the Province; but in this way we have an attempt to throttle public opinion and blind the people to what is in effect a policy—but a policy the Government has not the courage to submit to public gaze—and by dissimulation endeavor to cloak it as they have done. All these considerations point to the utter want of proper appreciation of the needs of the country and punctuate the charge that there is no consistency of policy in the Government. Section 8 of the bill is a direct hit at the best interests of the Province, as the railway company which, in earning the subsidy would be of the greatest advantage to the Province, would be a railway company which had its powers from the Dominion, in that it could have inter-provincial and international connections; but, as the bill reads, no such road can earn the aid. The result is that British Columbia is, by the policy of this Government, at the mercy of one system of railway. Can this be said to be in the best interests of the Province? Can it be that the members of this House coming from the lower Mainland and the Kootenays will endorse the action and policy of this Government now so clearly portrayed? Assuredly not if they are in any way actuated with the desire to conserve the interests of their constituents. In fact, the House as a whole must condemn this policy of the Government. Finally, Section 8 of the bill is un-Canadian; it is unpatriotic; it would seek to set the Province against the Dominion; it would seek to destroy the unity of legislation and national organism. Each in its own sphere has its part, but after all the Dominion in its authority must at times trench on provincial territory and inevitably affect provincial enterprises; but when provincial enterprises take on the character of national enterprises, rightly these may be declared for the general advantage of Canada, and being of that character, why should they not receive Federal aid? To deny to them Federal aid means, perhaps, to prevent their flotation, and thereby the result is delay and retardment of the development of the country. (Cheers.)

MR. HELMCKEN, speaking to the amendment, again condemned the legislation proposed by the Government.

At 11:20 p.m. the Speaker put the question, and the House filled for the division. The House divided when there voted—

For the amendment	13
Against	29
Government majority	7

The bill was then read a second time. The following is the Division list:

Yeas—Messrs. Booth, Hall, Robertson, Clifford, McBride, Baker, Eberts, A. W. Smith, Bryden, Ellison, McPhillips, Irving, Helmcken.—13.

Nays—Messrs. Semlin, Cotton, Joseph Martin, Higgins, Macpherson, R. Smith, J. M. Martin, Tisdall, Deane, Hume, McKechnie, Kellie, Kidd, Kinchank, Helgesen, Munro, Green, Neill, Henderson, Wells.—20.

NOTE.—Although in the above vote the Government majority appears as seven, it should be noted that three members of the Opposition, namely, Messrs. Turner, Pooley and Dunsuir, were absent. If their vote had been given, the Government majority would have been only four.

APPENDIX D.

EDITORIALS FROM THE "NEWS-ADVERTISER," "COLONIST," AND "GLOBE" NEWSPAPERS.

A VERY SATISFACTORY VOTE.

The Railway Subsidy Repeal Bill has passed its second reading by more than the usual party majority, the votes on the division standing 20 in favor of the Government measure, and only 13 in opposition thereto. The result is admittedly in large part due to a forcible and convincing speech delivered by Mr. Cotton, speaking as Finance Minister of British Columbia, and in such capacity accepting the fullest responsibility for a measure which should relieve the finances of the Province from a large contingent cash liability, certainly insufficiently secured—to say the least of it—in regard to the resulting public benefit. Mr. Cotton showed to the satisfaction of a considerable majority of the members of the Legislature present, that the Provincial Government's policy is by no means one of opposition to railroad expansion in British Columbia. It will, on the contrary, encourage such extension when useful proposals are made by men who themselves mean railroad building and working. But it will not vote any very large sums of public money to mere intermediaries, risking and spending the veriest minimum themselves, and as a rule making most of their small expenditure, not on work directed towards construction, but on correspondence, travelling, wire-pulling, lobbying, and other efforts, intended in effect to secure, and thereafter negotiate a transfer of the Provincial charter rights and subsidies on terms involving the retention by themselves, as profits, of a larger or smaller proportion of such cash or land subsidies.

What British Columbia needs as regards railroad extension is not the services of the "honest broker," who makes a business of acquiring and selling railroad charters and subsidies, but the work of actual line constructors and after operators. When such men "talk business," and make offers which embody the giving of sufficient return values to the Province, there is no doubt that such offers will be well, and when possible, favourably considered by British Columbia's administration. Such return consideration has certainly not been given to British Columbia in many instances of the past, and Mr. Cotton was easily able to show, when Colonel Baker unwisely interrupted him in the course of a reference to the history of the Crow's Nest Pass Railroad project, that a very large proportion of the Provincial coal land concessions then made passed into hands of mere charter vendors and their associates, realising for them a profit, not yet capable of full estimation, but likely to rise to a value of several million of dollars. Yet the Crow's Nest charter vendors never constructed a single mile of railroad, nor did they expend, on preliminary efforts in that direction, more than a very moderate sum, the Canadian Pacific Railroad in the end obtaining the charter granted on terms which left the speculators in possession of enormous values in coal lands granted by the Province in return for the building of the railroad. Can any one doubt that in the case of the Crow's Nest Railroad the Province could have made a better direct bargain with the Canadian Pacific Company, and have retained, for the benefit of British Columbia much, if not all, of the intermediaries' huge profits as represented by such coal lands as they and their associates succeeded in retaining when they made their deal with the great Railroad Company?

Instances like this, as also certain peddling transactions attempted at Ottawa in connection with the charter rights of the Vancouver, Victoria & Eastern project, amply justifies the withdrawal, under the Repeal Bill, of conditional offers of subsidy made in connection with the Coast & Kootenay and British Pacific Railroad projects respectively.

The subsidies have in neither case been earned, nor become legally nor morally due, and Mr. Cotton declared the passing of the Repeal Bill leaves it perfectly open for the Provincial Government to consider on its merits any practical proposal made intending actual

railroad construction to connect the Coast with Kootenay by a direct line, or indeed, any other railroad proposition of intrinsic value as an aid to the development of British Columbia. The railroad policy thus represented is exactly what the people of British Columbia endorsed at the general election of last year, and there is not the slightest doubt that the predominant public opinion of the Province remains in this respect the same.

(News-Advertiser, Saturday, February 25th, 1899.)

THE FIGHT FOR GRANTS UNEARNED.

The debate on the Railroad Aid Repeal Bill introduced by the Hon. Mr. Martin, is proceeding in the Provincial Legislature as we write. But we have no doubt that the division on the second reading of the measure will endorse the action of the Government in withdrawing the conditional offers of its predecessor to grant \$4,000 a mile in aid of the construction of a section on the intended route of the British Pacific Railroad scheme and \$4,000 a mile in aid of a line of rail from English Bluff to Pentiction plus an impracticable railroad ferry service across the wide and often stormy Gulf which parts Vancouver Island from the Mainland. There is no great weight in the opposition to the repeal of the British Pacific subsidy, but a big fight is being made to secure for the charterers of the other scheme—usually known as the Vancouver, Victoria & Eastern Railroad, the control of a conditional grant of \$4,000 a mile, backed by which, and as the promoters fondly hope, also by a Dominion subsidy, not yet gained, they may dispose of their charter to considerable advantage, and thus reap a goodly profit at the expense of British Columbia and Canada.

The charterers in question base their opposition to a repeal of the acts enabling certain Provincial subsidies to be granted, on the fact that although no real construction work has been done, some tentative preliminary surveying was prosecuted some time since at no great aggregate cost, a very loose sort of agreement—clearly "ultra vires" and unsanctioned by the enabling acts—having also been made between the late Provincial Government and themselves. The agreement being ultra vires and the surveying and other small expenditure incurred not meeting the requirements of the enabling legislation, the present Provincial Government is clearly within its legal and moral rights, in refusing to grant a subsidy, merely to make profits for intending charter vendors who have, after a long period of opportunity, failed to cause their railroad project to materialise and thus in anywise benefit the Province.

A well fed contingent of legal and other lobbyists has been engaged by the promoters of the Vancouver, Victoria & Eastern project to bolster up their big demand upon the Province and secure the support for their cause of possibly wavering members of the Legislature.

Yet we apprehend that a majority of the members of the Provincial House will nevertheless stand firm by the Government in its resolve to defend British Columbia from an unjustified demand for a big dole of public money, a very large part of which would assuredly, if granted, be divided amongst a small coterie of railroad charter vendors. By such preventive action the Province will be saved from borrowing nearly a million dollars in aid of a railroad extension, which if practicable and profitable, can assuredly be obtained from other and stronger hands than those of the would-be charter transferors of the Vancouver, Victoria & Eastern project.

(News-Advertiser, Friday, February 24th, 1899.)

ABOLITION OF THE SUBSIDIES.

Much feeling exists in Government circles over the proposition to abolish the railway subsidies. In sharp contrast to this measure is that extending the land subsidy to the Columbia & Western. The present government party when in opposition never grew tired of condemning this grant, and they expressed great gratification when it was proposed to substitute a bonus of \$4,000 a mile for it. Under the terms of the original act it would be impossible for the Canadian Pacific, which is building the road, to earn the subsidy within the time limited, and so an additional year has been given them. To this we make no objection. It is only keeping good faith with the company to extend its rights in this regard until the completion of the road. Doubtless the company will take the land, and as this paper supported the land grant in the first instance, it raises no objection to its being given now. The opposition party can easily justify their course in not opposing the extension of the time, but the Government supporters cannot.

The point that seems to admit of no reasonable explanation is how the Government supporters can justify, even to themselves, the extension of the subsidy in this case and the abolition of it in the others. We say justify to ourselves, for it goes without saying that they cannot justify it to the country. It is true that the Canadian Pacific is actively engaged in the construction of a portion of the Columbia & Western; but it is also true that respon-

sible parties are under contract with the Government to construct the extension of that road from Penticton to the Coast with a connection with Victoria. It is true that the Canadian Pacific has spent money under its contract, but it is also true that the V. V. & E. has spent money under its contract. That the latter amount is much less than the former makes no difference in the principle of the thing, for they have expended more than any agreement with the Government calls for, because they are not bound to begin actual construction for nearly three months yet. We shall not make any inquiry into the status of the other enterprises from which subsidies have been taken away. Large sums of money have been expended in connection with both of them. It was clearly the duty of the Government to have consulted with the promoters of those undertakings and ascertained what they had done, before wiping out the subsidies on the strength of which they were proceeding. How does the Government know, how does the House know that the promoters of all these enterprises have not entered into contracts, which they will be unable to carry out, if the subsidies are repealed, and for failure in respect to which they may be compelled to pay heavy damages? No steps have been taken to find out the facts of the case.

It is to be hoped that this iniquitous measure will be fought at every stage and that the reputationists will be put on record. Possibly the party whip, wielded by the Attorney-General, may be sufficient to prevent any breaks in the Government ranks on this question, but until the vote shows otherwise, the Colonist will not cease to hope that there may be some members on the right side of the Speaker, who will have sufficient courage and a sufficiently keen apprehension of fair play to refuse to act the part of "dumb, driven cattle" in a matter of this nature. If the measure goes through the House, the credit of all future British Columbia enterprises, having Government concessions of any nature, will be disastrously affected.

(The Colonist, Thursday, December 23rd, 1898.)

THE TURNER RAILWAY POLICY.

The Attorney-General's speech on moving the bill to abolish certain railway subsidies, laid particular stress upon the inclusion in the security given by Messrs. Mackenzie & Mann for the construction of the railway from Penticton to Boundary of a proviso that was conditional upon Dominion aid being given to the railway. Such a proviso was entirely in accord with the policy under which the provincial subsidy was granted, and it may be well at this time to re-state that policy.

Mr. Martin may be ignorant of the fact, but every one else will remember that Mr. R. P. Rithet during the session of 1897 made an elaborate and carefully compiled statement of the relation between the money paid into the Federal treasury from this Province and the amount expended in the Province by the Dominion, showing that the former was very greatly in excess of the latter. This speech was heartily endorsed by the members of the Government, and crystallized the sentiment already expressed in a general way in the press and elsewhere, that the Province was not receiving fair play at the hands of the Dominion, and led to the inauguration of a railway policy by the Turner Government, intended to be conditional upon aid being given by Parliament supplementary to that given by the Legislature.

The "Colonist" followed Mr. Rithet's speech with a series of articles on the claims of the Province upon the Dominion. Last session the Turner Government gave effect to the work done along this line by the passage of the Loan Act, which expressly stipulated in the preamble that Federal aid in supplement of Provincial aid was contemplated by the Legislature. In perfect harmony with this plan, the contract made with Messrs. Mackenzie & Mann for the construction of one of the subsidized lines was made conditional upon the receipt of such subsidy. The inclusion of such a condition was not a mistake; it was not the result of undue insistence on the part of the contractors. It was placed in the contract in perfect good faith and for the purpose of giving effect to the policy which the Legislature had endorsed.

In the course of his remarks upon the Bill, Mr. Deane excused his support of it on the ground that one of the planks of the then Opposition during the last campaign was the overturning of the Government railway policy. This is intelligible. It was the only intelligible reason advanced in the whole debate by the Government side. We can understand that a political party might take the position that it is undesirable to aid railway construction in any way, or that the burden of assistance should be borne wholly by the Province, or that it should be borne wholly by the Dominion, or even that we should not have railways at all constructed by private individuals. There is no way of ascertaining whether the party now in power favor either of these propositions or have some other theory in regard to railway construction. As Mr. McBride said, they propose to repeal the Turner plan, but offer nothing as a substitute. This much has been established: The Turner railway policy has been killed, and provincial development has been arrested.

(The Colonist, Friday, February 24th, 1899.)

REPUDIATION.

The cancelling of the subsidy to the Vancouver, Victoria & Eastern Railway will be a great disappointment to the residents of the Coast. People were looking forward for a large increase of trade with the interior of the Province, more particularly with the Boundary Creek district. The reasons assigned for such action by the Government are hardly tenable. The objections of the introducer, the Attorney-General, were not sufficient to warrant the withdrawal of the subsidy. His attack on the promoters was unbecoming a man in his position. His sole charge was that the promoters were out to make some money out of the project! It is well known that they will hardly realize their expenditure in putting the scheme on the basis which it has arrived at. It is generally conceded that this argument was only put forward to excuse the present Government's action and to cover up a deal which the Minister of Finance and the Attorney-General had in their minds, because it was stated that they would have the matter to deal with and the present contractors of the road might have a chance to arrange with them for the building of the road. After the venom shown toward this Company by the Finance Minister and the Attorney-General the present Company need not expect consideration at their hands. The result of the vote shows how servile a following the present Government has in the House. A large number of the constituencies represented by these men would be largely benefited by such a line. Notwithstanding this fact all the representatives from the Lower Fraser, including the cities of Vancouver and New Westminster, with one exception, that of Mr. McBride, the member from Dewdney, voted for the cancellation of the subsidy. It is said the chief objection Messrs. Cotton and Martin had against the Vancouver, Victoria & Eastern Railway was that the act and agreement with that Company provided for a daily ferry between Point Roberts and Vancouver Island. They claimed that this was a useless expense—not that it was to cost the Province any more, for the aid granted to the railway was for so much a mile, and the Company would necessarily have to bear this outlay and not the Province. The ferry was only part of the agreement insisted on by the representatives of Victoria at the last session. But Attorney-General Martin and Finance Minister Cotton have no love for the City of Victoria, so an objection of this character, without reason or good sense, is quite enough for them to advance, especially when any advantage to the city is mooted or provided for. But the Government has plainly adopted a policy of repudiation. In the past we have looked upon the acts of former governments as binding, but it seems that the Martin-Semlin Government have no consideration for precedent or principle.

(The Daily Globe (Victoria) Saturday, February 25th, 1899)

