"A DEBT OF HONOUR"

THE CASE OF THE

CHIGNECTO RAILWAY COMPANY

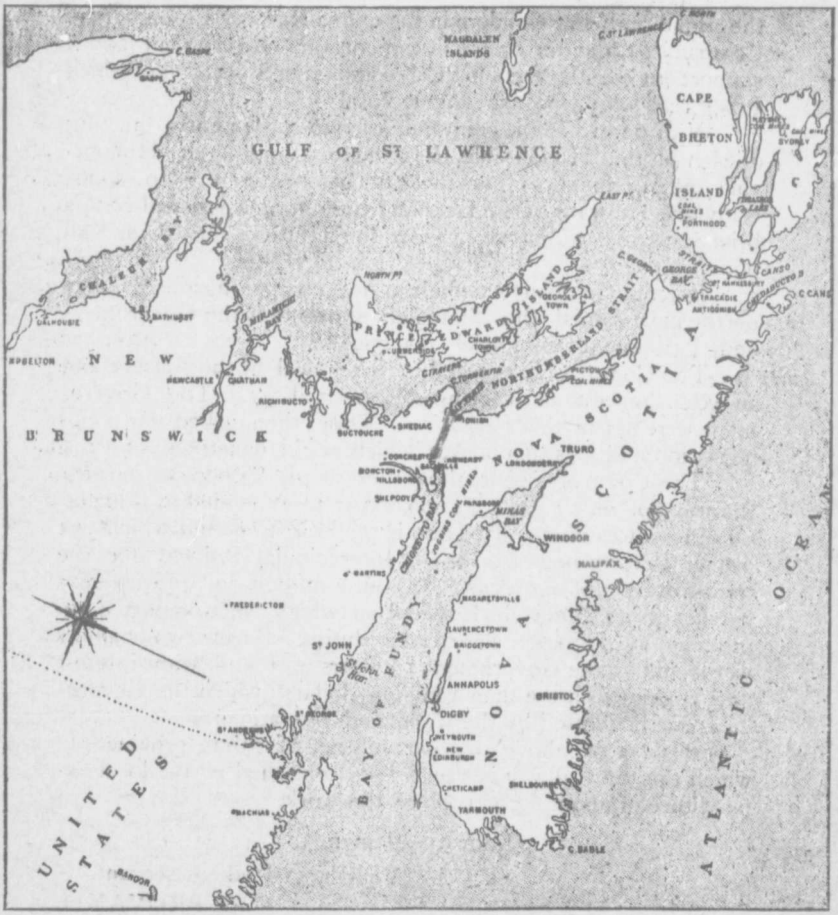
AND

THE CANADIAN GOVERNMENT

Ottawa, April 1908.

THE CHIGNECTO SHIP RAILWAY

THE red line on the Map shows the position of the Ship Railway, which is 17 miles long. The object of making it was to enable vessels to pass between ports on the Bay of Fundy and further south and ports on the Gulf of St. Lawrence without going into the Atlantic and round the coast of Nova Scotia, thus effecting a saving of several hundred miles on the voyage.



Chignecto Marine Transport Railway Company.

OTTAWA, APRIL, 1908.

To the Honourable the Members of the Senate and House of Commons:

GENTLEMEN,—

I have again come to Canada representing the Trustees for the Bond and Shareholders in the above Railway to press the Company's claim for compensation on the Government, and I support our case by facts in the accompaning Statement of which I beg respectfully to ask your perusal.

With permission it is my intention to call an early meeting of each of the Honourable the Senators and of the Honourable the Members to lay the case before them. No doubt many are unaware of the facts and therefore a perusual of this brief Statement will serve to show the nature of the claim and how it arose.

For the Company's default in not completing the Railway on the day named the Statement shows that the Government and Parliament were solely responsible.

The Company first asked for a renewal of the subsidy and an extension of time to complete the railway. The Government were not in favor of this. They then asked for compensation and it is this matter which is still unsettled.

The Company spent altogether nearly $4,000 000 on the Railway; of which about $3,000,000 were expended in Canada. Of different estimates $300,000 is the lowest amount which we believe to have been paid to the Intercolonial Railway for the transportation of materials. About a million dollars were expended on machinery in England on which when imported approximately $300,000 were paid in duties. These two amounts were paid to the Government 18 years ago and with interest now amount to more than a million dollars, which the Government has benefitted by the Company's operations

Besides the above that part of the Maritime provinces in which the the Railway is situated was enriched by the local expenditure of about $3,000,000 on the work.

I am, Gentlemen,

Your most obedient servant.

A D. PROVAND.

Statement of the Chignecto Railway Company's Case.

A Royal Commission appointed in 1871 to deal with the question reported that at any cost a trade route should be made across the Isthmus of Chignecto (as shown by the red line on the map). The Government was so impressed with the commercial advantages of cutting a ship canal across the Isthmus that they decided to construct it with public money, and Parliament voted sums towards doing so in 1872 and 1873, for a Conservative Government, and in 1874 and 1875 for a Liberal Government, as both Parties supported the policy. The estimate for the Ship Canal was $5,216,000, and in voting one million dollars in 1875 to begin the Canal the Hon. Alexander Mackenzie, Prime Minister said:

> "that if it were possible to execute the work at prices corresponding somewhat with five millions it might be a considerable advantage to do so."

But subsequent estimates placed the cost as high as $9,000,000 or $10,000,000, and in consequence of this the scheme remained in abeyance.

In 1880 Mr. Ketchum, an eminent Canadian civil engineer, proposed to the Government to construct a Ship Railway instead of a Ship Canal. The scheme was submitted to and approved by the Chief Railway Engineer to the Government, Mr. Collingwood Schreiber, in a report dated 4th February, 1882, and was adopted by the Government in place of a Ship Canal, because it possessed greater advantages, would cost far less, and whereas the Canal was to be built by Government with their own money, the Railway was to be constructed by a British company with British capital, the subsidy to which would cost the Government only about one-half of the estimated cost of a Canal

Parliament therefore passed two Acts in 1882, for a body of Canadian incorporators, one incorporating a Railway Company, and another granting it a subsidy of $150,000 per annum for 25 years. The Subsidy Act states that this is given—

> "In consideration of the great advantages which would accrue to the Maritime Provinces and the Inter-colonial trade of Canada generally from the construction of a Ship Railway across the Isthmus of Chignecto, &c., &c."

and in the incorporating Act it is stated that this was done because the construction of the Railway would be—

> "Especially conducive to the development of the commercial interests and coasting trade of the Maritime Provinces of the Dominion."

Therefore, in adopting the scheme of a Ship Railway and granting the subsidy, the Government gave the most complete proof in their power that they were satisfied as to the merits and commercial value of the undertaking.

The incorporating Act bore the names of leading Canadians, including:—

H. G. C. Ketchum.....Civil Engineer, who designed the Railway.
Edwin Clark.... ....Inventor of the Lifting Docks to be used by the Railway.
Thos. C. Keefer, C.M.G ..Civil Engineer.
Charles R. Coker..... ...Lloyd's Surveyor of Shipping, St. John and Quebec.
R. G. Lunt.....Steamsnip Owner.
William Elder, M.P.P.....Leader of the Legislative Assembly, New Brunswick, and Provincial Secretary.
Charles C. Gregory, C.E ..Toronto.
Colonel Charles J. Stuart...Amherst, afterwards of Halifax.
Hon. P. A Landry . ... ..Judge, Supreme Court, New Brunswick.
Hon. C. J. Townsend.....Judge, Supreme Court, Nova Scotia.
James S. Hickman.....Merchant, Amherst, Nova Scotia.
W. D. Douglas ....Merchant, Amherst, Nova Scotia.
W. D. Main.....Amherst, Nova Scotia.
J. C. Brundage..... ....Shipmaster.
Hon. J. S. Carvell..... ..Late Governor Prince Edward's Island.
Hon. A. W. Ogilvie.....Senator.
John H. Parkes, C.E.....Manufacturer, New Brunswick.
Hon. A. E. Killam.....Member of the Legislative Assembly, New Brunswick.

The position and high character of the above were accepted by English Bankers as guaranteeing the bona-fides of the undertaking.

In 1883 the Canadian Parliament passed another Act, fixing the capital of the Company at £400,000 in shares and £700,000 in debenture bonds to meet the estimated cost of the Railway.

In 1884 the Nova Scotia Legislature passed an Act authorising money to be raised by taxation to buy the lands required for the Ship Railway. Mr. Townshend, in moving the second reading of the Bill, said :—

"The Dominion Government had thoroughly investigated it by their engineers and regarded it so favourably that they had granted a subsidy of $150,000 a year for twenty-five years, and, if he was rightly informed, intended to still further increase that subsidy.

"He need not say that this work must be a very great advantage, not only to the particular part of the country over which the Railway was to go, but to a large part of Nova Scotia, including the counties bordering on the waters of the Gulf, and those bordering on the Bay of Fundy, and also to all the seaboard counties of New Brunswick.

"The Municipal Council of Cumberland had unanimously voted to grant the Company a free right of way ; in other words, the people were willing to assess themselves to pay for the right of way, and the object of this Bill was to enable them to do so."

While the scheme was before Parliament it had warm support both from the Government and the Opposition. Sir John Macdonald, then

Prime Minister, spoke of the advantages to Canada of the Ship Railway, and added that—

> "The amount we are called upon to expend is comparatively small, and we are not called upon to expend that until we have assurance of its success. I think the Government is to be congratulated on taking up the matter in the way it has."

The Hon. Alexander Mackenzie, then leader of the Liberal Opposition (the party now in power), said that—

> **"he (Mr. Ketchum) will no doubt obtain the money in the English market with the guarantee of the Canadian Government."**

The above language expressed the approving and hopeful send-off by the Prime Minister and the Leader of the Opposition to Mr. Ketchum when he went to London seeking English capital, and he took with him :—

1. The Report of the Royal Commission advocating tke construction of a Ship Canal across the Isthmus of Chignecto, no matter what it cost,

2. The Report of the Mr. Collingwood Schreiber, Deputy Minister of Railways, and adviser to the Government on Railway questions, approving the construction of the Ship Railway instead of a Ship Canal in which he quotes the following opinion of the Commissioners from page 79 of their Report:—

> "The evidence submitted points out with remarkable force and unanimity the necessity of opening a highway for commerce between the Gulf of St. Lawrence and the head waters of the Bay of Fundy through the Isthmus of Chignecto dividing them."

The last paragraph in the Report of Mr. Schreiber is as follows:—

> "Assuming that the importance of a Ship Railway over the Isthmus was, at the time of the Commissioners' Report, so great as is therein stated, it must be much greater now, considering the large increase since that date in the trade of the country affected by the proposed work."

3. A statistical Statement of the shipping of the Maritime Provinces from which the Railway would draw its traffic, prepared in the Government Office aud signed by George Johnson, the Government Statistician.

4. The Act incorporating the Company backed by Merchants, Shipowners, Engineers, Senators, Members of the Legislature and Judges of the High Courts of New Brunswick and Nova Scotia. The names are given on page 4.

5. The Act granting the Railway a subsidy of $150,000 per annum.

6. The Act fixing the amount of the capital.

7. The Act of the Nova Scotia Legislature authorising taxation to provide money to buy the right of way to give to the Railway.

8. The resolution of the Municipal Council of the County of Cumberland in Nova Scotia through which the Railway ran, granting it a free right of way.

But even all the above inducements did not secure the capital and Mr. Ketchum went backwards and forwards between London and Ottawa until he obtained :—

9. The Act dated 2nd June 1886 changing the subsidy from $150,000 for 25 years to $170,602 for 20 years to make it more acceptable to English investors.

The contract to construct the Railway made between the Minister of Railways and Canals and H. G. C. Ketchum acting for the Canadian Incorporators forms a schedule to this Act.

The incorporators' engineers then commenced preparing the plans and specifications which for such a novel work were subject to many changes and modifications until every detail was satisfactory.

10. And the signed approval of the Government by the Governor General was given to the plans and specifications of the Railway on the 22nd May, 1888.

The time occupied in passing Acts of Parliament, in making the contract to build with the incorporators and in preparing surveys, plans and specifications made it impossible to finish the Railway by the 1st July, 1889, the date named in the original Act, and unless the time had been extended, the capital could not have been obtained. Therefore in order to secure this the Government passed through Parliament in 1888 :—

11. The Act extending the time to complete the Railway to the 1st July, 1892

Attention is here called to this fact because the Government have said that this extension of time was given to the English investors. This was not so nor was it possible because there were at that time no "English investors" in existence. We, the investors whose money made the scheme a reality and who seek redress, had no connection with the enterprise until the following year, 1889, when the prospectus inviting subscriptions of capital was issued and we, unfortunately, subscribed for the bonds and shares.

The Canadian incorporators named in the Act were not promoters, in the ordinary sense. They had no financial interest in the scheme either before the capital was found or afterwards. The Government knew they would not subscribe a dollar of capital and never did : and but for the Acts of Parliament passed granting a subsidy the scheme would not have had any consideration from Bankers, indeed it would never have been heard of in London.

The Bankers w ho were applied to for capital only knew the incorporators as *a pro formâ* Company created by the Canadian Parliament to whom it had granted a charter and a subsidy and made a contract to construct the Railway, all of which were to be transferred to British investors as soon as they could be induced to furnish

the capital. The real and practical promotion of the Railway was therefore by the Government. And Mr. Ketchum represented it when he offered in London the Charter and Subsidy passed by Parliament in order to obtain British capital.

Reference has already been made to the statements of Sir John A. Macdonald and the Hon. Alex. Mackenzie. The same language was held from the passing of the first act in 1882 to the last Act in 1888, on which occasion the Right Hon. Sir Charles Tupper, Bart., then Finance Minister, said :

> "The Government is not asked to pay any money, but simply to enable English Capitalists to furnish all the money required to give us the work at half the cost we could obtain these advantages for in any other way."

Therefore between 1882 and 1888 the Canadian Parliament passed two original incorporating and subsidising Acts and amended them by subsequent Acts passed in 1883, 1886, and 1888, for the *pro formâ* Canadian Company, with the sole object of making the enterprise sufficiently attractive to British investors.

Sir Charles Tupper, when High Commissioner for Canada in London in 1893, in referring to what had been done to induce our Capitalists to find the money, said that in the light of his thorough knowledge and familiarity with the country, the commercial business and the shipping trade of Canada, he had no hesitation in saying that the undertaking was, in his judgment, placed beyond doubt as much as any financial or business enterprise that ever was presented to the public, and that

> "every means that were possible or that could be taken to warrant the enterprise "being presented to capitalists as a sound enterprise were taken."

And this was also the opinion and judgment of a Minister now in office. On this point the Right Hon. Sir Richard Cartwright, when the question was before the House said :—

> "The fact of Parliament granting a subsidy of 170,000 dol. a year for twenty years to this railway, will imply to the minds of English capitalists, from whose pockets I take it that this money is expected, that the Canadian Government have looked into the work, that they believe it to be a valuable work, and that it may fairly be implied that the Government believe it to be reasonably profitable to those people whose money we are practically securing in consequence of our having granted a subsidy."

No comment of ours can add force to the foregoing language.

Every statement made by the Ministers speaking for Canada was in proof that the Railway was desired by them as a necessary public work.

The Ship Railway scheme stood the test of a long examination in Canada by engineers, including the Chief Engineer to the Government, who reported

> "It is Canadian in design and must prove national in results,"

by the Ministers, by Parliament, by the Legislature of Nova Scotia, through which Province the Railway runs, and by leading commercial authorities. The detailed plans were all submitted to, and obtained the sanction of, the Government. Leading Chambers of Commerce in important cities and other public bodies passed resolutions cordially supporting the enterprise, on account of the commercial advantages which would follow its construction.

No scheme ever came to London more strongly fortified than the Chignecto Railway was by every kind of evidence which Bankers could require as guarantees that the enterprise was sound and desired by the Canadian Government, Parliament and people.

All the Government did and promised to do was for the Canadian promoters named in the incorporation Act. Their sole object was to obtain the capital in England and therefore they passed the Acts to ensure this, or otherwise they would have had to abandon the project.

We therefore beg with all respect to submit that the preceding brief description of the initiation and promotion of the Railway shows that it was entirely the work of the Government and Parliament. No responsibility is attachable to the Bond and Shareholders as no person in England took part in originating or promoting the scheme.

When the Prospectuses for the Bonds and Shares were ready to be issued in London in the beginning of 1889, it was found that in the previous year the Canadian Parliament had passed an amendment to the General Railway Act, Sec 94 of which deals with the issue of Bonds, adding to the latter a new sub-section, which says—

> "no Bonds or Debentures shall be issued until 20 per centum of the cost has been actually expended on the work."

The above sub-section, therefore, prevented the Company from issuing their Bonds, and they could then only offer the £300,000 of Preference Shares, which were issued on the 20th March, 1889, and subscribed for at par. The Bank of Montreal's name was on the prospectus as Bankers to the Company and the subscriptions of capital were paid in to it.

The work of construction was proceeded with as rapidly as possible, but £220,000 had to be expended on the Railway before the Company was legally entitled to issue any Bonds, and this amount was not expended until the end of the following November. Meantime a change had come over the money market in consequence of financial difficulties in the Argentine Republic and other countries, and we entered on a period of monetary stringency so severe rhat for several years it was almost impossible to obtain capital for any industrial enterprise. On this account the directors could obtain subscriptions for only £250,000 of the £700,000 Bonds authorized, and these were subscribed for at £108 10s per £100 Bond, showing the complete reliance of those who took them in the good faith of the Government.

Early in 1889, when the Preference Shares were subscribed, the £700,000 of Bonds—but for the above sub-section—could also have been issued and the whole capital procured. No subsequent financial difficulties could then have interfered with the completion of the Railway. But the compulsory postponement until the end of 1889 was fatal, and was the sole cause of only a portion of the Bonds being subscribed, and of all the difficulties which afterwards befell the Company.

In 1892, four years after the above sub-section was enacted, the Canadian Parliament was compelled to repeal it, thus admitting that its enactment was a legislative blunder.

The facts are indisputable, namely:—

(*a*) The law was changed in 1888 as described above.

(*b*) For this reason the Company could not legally issue any Bonds until about £220,000 had been expended on the Railway. But for this sub-section the Company would have issued the Bonds together with the Preference Shares, when they would have been subscribed, the whole capital obtained and default in completing the Railway rendered impossible.

(*c*) As soon as the Company became legally entitled to issue Bonds, namely, in November, 1889, the financial panic which caused the Baring crisis and affected all the world was threatening, and only a portion of them was subscribed.

(*d*) The sub-section was repealed in 1892 because it was found to be mischievous and unworkable.

By this mistaken legislation the Canadian Parliament became morally responsible to the company for the consequences which followed, and it is significant that **the Government in its communications to the Company has not attempted to defend its action on this point**.

And, furthermore, when the Company issued their prospectuses inviting subscriptions for bonds and shares, the subsidy clause in the Act of Parliament was reprinted in them, and therefore the capital was subscribed solely on the faith of the statutory engagements of Parliament and of the Government to pay the subsidy.

The contractors for the Railway were paid in the Company's Bonds and, on account of the financial depression, being unable to market any beyond the £250,000 originally subscribed, they exhausted their means and were compelled to suspend construction when nearly three-quarters of the work on the Railway had been done. The default in not completing the Railway on the date fixed was, therefore, not that of the Company but of the contractors, who when they commenced the work were possessed of ample means, and, further, the Government were responsible for the contractors' financial circumstances for if they had not passed the mischievous sub-section to the General Railway Act, all the Bonds would have been subscribed for and issued and the contractors would have had ample funds to complete the Railway.

And it is to be further noted that no person or interest in Canada suffered or was even prejudiced to the slightest ex-

tent by the non-completion of the Railway on the date named. The Bond and Shareholders were the sole sufferers and the entire responsibility for this lies on the Canadian Government by whom reparation should be made to them.

The Company's Directors then memorialised the Government for financial assistance, and the Hon. Geo. E. Foster, Minister of Finance, after explaining why the Government could not grant it, added these words at the end of his letter, dated 21st January, 1892 :—

> "In coming to this conclusion, the Government desires to recognise the energy and thoroughness with which the Company has carried forward its work, and to express sympathy with it in the unusual and untoward circumstances which have been mainly instrumental in producing what it is hoped will be only a temporary embarrassment."

Shortly after this the Company applied to the Government for an extension of time to complete the Railway, and the Government issued an Order in Council, dated July 9th, 1892, in which, after acknowledging

"that the suspension of the works was owing to unforseen circumstances"

they promised that, provided the works were actually in progress and the capital secured to complete the Railway by July 1st, 1894, they would recommend Parliament to extend the time.

As the financial depression had become less severe, the Directors succeeded in making a contract to complete the Railway with the eminent contractors Messrs. Pearson and Sons, and also in obtaining the necessary capital before the 1st July. Mr. Provand therefore cabled :—

> "To the Right Honourable Sir John Thompson, Prime Minister, Ottawa.
>
> "We have now secured the Capital to complete the Chignecto Railway, and have settled with first-class firm of Contractors to commence the works immediately that we receive an extension of time sufficient to complete them, say two years, for which I now apply on behalf of Company.
>
> (Signed) A. D. PROVAND."

Sir John Thompson replied by cable that it was then too late in the session to consider the question.

In October 1894 the Hon. Mr. Foster came to London and in the course of his reply to a deputation of investors he said :

> "The Government, however, in this matter **is bound to take up other considerations than those of strict and absolute legality**, and I can assure you—that is as far as I can go in an assurance as a responsible member of the Government—that the Government will take this matter up as was promised Mr. Provand, **and we will give it our best consideration on the grounds of what might be called moral obligation**—of how it may affect credit, and also, as we are primarily bound

to do, in respect of the best interests of our own people, for whom we are trustees, and for whom we are bound to act with great care and prudence.

"I think you are perfectly right in asking that you should have a decision upon this question as soon as possible. It has been impossible, and I may say it is impossible, to have a question of this gravity considered without what we call a full meeting of Council, and circumstances during the holidays have rendered it impossible for the Government to be assembled in force. As you know Sir John Thompson is coming to London for a few weeks, and as soon as he returns I have no doubt at all that the Government will take the matter up and dispose of it so that you may, I think, confidently look for an answer to this question somewhere about the middle of December."

The foregoing admits the moral obligation of the Government to the Company. A few weeks afterwards Sir John Thompson arrived in London. He was too unwell to receive a deputation, but he said he had read what Mr. Foster had stated, and agreed with it.

Sir John Thompson died shortly afterwards and Sir Mackenzie Bowell became Prime Minister. As this affected the Canadian Cabinet arrangements, the reply promised by Mr. Foster was not received.

In May, 1895, Mr. Provand was summoned by cable to Ottawa, but after being a fortnight there the Hon. Mr. Foster, Minister of Finance, wrote to him as follows—

MINISTER OF FINANCE,
OTTAWA, CANADA,
May 29th, 1895.

DEAR MR. PROVAND,—

"In pursuance of our conversation this morning in reference to the application made by you for an extension of time for the completion of the Chignecto Marine Railway, I beg to write you as follows: The Government have listened carefully to the presentation of the case of the Company made by you, and, while disposed to attach all reasonable weight to the reasons adduced for an extension of time, find it difficult under the present circumstances, when every effort is being made to strengthen the financial position of Canada by cutting off appropriations and refusing to enter into further obligations, to give a conclusive answer at present. The Government will, however, take up your case for final disposition next year, and you may consider that the consequent delay does not in any way imply an unfavourable view of the Company's claims, and is entirely without prejudice to their future consideration."

Yours faithfully,

(Signed) GEORGE E. FOSTER.

In fulfilment of the above pledge the Government, early in 1896, promised the Company to pass an Act during the approaching session re-voting the subsidy. A private bill had first to be laid before Parliament to extend the time to complete the Railway, which was done; but the Bill was thrown out on a snap division by a majority of one. A few days afterwards, however, it was replaced on the paper for second reading by a majority of seventeen; but there was no further opportunity of bringing the Bill before the House during that session, which terminated shortly afterwards.

After the Parliamentary session closed, the Government issued an order in Council, approved May 22nd, 1896, placing the facts on record, namely, that the Company had secured the capital necessary to complete the Railway before July 1st 1894, and that it was now ready to proceed with the work if an extension of time were granted. Also that the delay which had occurred

"had been owing to circumstances beyond the control of the Company,"

who were *bona fide* desirous of completing their undertaking; and lastly the Order recommended that at the next session of Parliament the Government should submit legislation to extend the time, in order that the Company might finish the Railway.

The above Order in Council therefore acknowledges that the Company was not responsible for the delay which had taken place, and is also a full recognition by the Canadian Government, then in office, of the Company's claim to reinstatement in possession of its Charter and Subsidy.

A General Election followed, and the Liberal party, formerly in Opposition, were placed in power.

When the new Government came into office a Sub-Committee of the Cabinet was appointed to consider the claim, and on September 2nd, 1896, Mr. Provand laid before them at Ottawa a statement in support of the Company's case. Two reports were made by the Sub-Committee on the 27th January, 1898, and 4th April, 1899, refusing the Company's application for reinstatement. In October, 1899, Mr. Provand again met the Sub-Committee at Ottawa, and was informed that the Government was not likely to extend the time and renew the subsidy, and was requested to make proposals to the Government for a settlement of the claim, which were sent, and were in substance as follows:—

(A) That the Company was ready to complete the Railway on the re-enactment of the charter and subsidy.

(B) That if the Government would not reinstate the Company, they should pay $2,000,000 for the loss of the subsidy.

(C) That if this was not agreed to, the amount to be paid as compensation should be referred to arbitration.

None of the above offers was accepted. Subsequently Mr. Provand again offered to submit the claim to arbitration or to a Select Committee of the House or to the Judge of the Exchequer Court, but the Government did not agree to any of these proposals.

By not agreeing to refer or to arbitrate the Government makes itself jndge in its own cause.

The replies of the Government to the Company's appeals are in two Orders in Council of 27th Jan. 1898, and 4th April, 1899. They were prepared by a Sub-Committee of the Privy Council and contain presumably all that the Government could say in explanation of their treatment of the Company. But these, firstly, omit to deal with leading facts in

the Company's case, and, secondly, they contain statements not in accordance with the facts.

The mischievous amendment by Parliament of the General Railway Act of 1888 was the originating cause of all the Company's difficulties. The particulars have been stated several times to the Government as on page 8 herewith, but nothing is said in the Orders in Council on this point either by defence or explanation while it is beyond question that the amendment made the Government responsible for the Company's ruin.

The Order in Council of the 4th April, 1899, says that :—

> "Investors are expected to look for themselves into the character of enterprises seeking their support."

In the above statement the Government discredits itself. We show herein how fully they recommended the Chignecto Railway.

Nevertheless, knowing all the facts, the Government in their reply to the Company say in effect that we should have discredited all the evidence they placed before us and made an independent enquiry into the character of the enterprise. In such circumstances independent enquiries are never made, they would be impracticable and in most cases impossible. On this point we beg to say that there are about 40 legislative bodies large and small in the Empire besides hundreds of municipalities some of which are borrowing in London every year. Investors read the prospectuses issued which quote the Acts or other authority for the loans, and, on the faith of these, lend their money. This was done by the Chignecto Railway. The prospectus set out the clause in the Subsidy Act containing the terms offered by the Government and on the faith of these our investors took the bonds and shares. This was also done by the Grand Trunk Pacific Railway—a Government enterprise; many millions of dollars were obtained in London by prospectus to build the Railway before it was known what route it would take or where its Pacific port would be. It was not possible to know the character of that railway except from what was in the prospectus inviting subscriptions for bonds. But supposing the London financial press had used the very language above quoted from the Order-in-Council, what would the Government have said when discredit was thus thrown on the prospectus issued in London by their authority containing the terms quoted from Acts of Parliament passed by themselves through the House?

Here is another statement unsupported by the facts. In the Order of the 27th Jan. 1898, it says :—

> "It may be well to point out that the Company's project did not at any time receive the general sanction and approval in Canada which have been alleged in some of the Company's printed statements."

On the contrary it did receive general sanction and approval. Mr. Ketchum brought with him to London the Acts and Statements referred to herein on pages 5 and 6. The evidence was crowded on us that Canada

desired the Railway. It came from the Government, from local Legislative bodies, from Boards of Trade, from Municipalities, indeed from every source entitled to be heard in regard to it.

Here is a quotation from Mr. Collingwood Schrieber's report of the 4th February, 1882, in which, referring to the previous report of the Royal Commission of 1871, which had recommended a Canal no matter what it cost, he said :—

> After a most exhaustive enquiry they reported (vide page 50, letter of Canal Commission) that inseparably connected with the growth of the Intercolonial trade is the construction of the Baie Verte Canal across the Isthmus connecting the Provinces of Nova Scotia and New Brunswick. The advantages that must accrue, not merely to the Dominion as a whole, but to the commerce of the Maritime Provinces, are so clearly pointed out by the Boards of Trade of all the leading cities of Canada and by men interested in our Commercial interests, not simply the merchants of St. John and other places in the localiiy of the proposed canal, but merchants of Hamilton, Toronto, Ottawa, Montreal and Quebec, that it is superfluous for the Commissioners to do more than point briefly to a few salient features of the scheme.

The above quotation from Mr. Schreiber's report shows conclusively and beyond question that the Ship Railway project did receive "general sanction and approval in Canada."

The Order in Council of 4th April, 1899, also says :—

> "that a large sum has already been invested in the enterprise and lost is most regrettable but the Canadian Government are in no way responsible for this. The risks which the Company assumed are inseparable from all kinds of Joint Stock undertakings."

We submit that the above paragraph is not a fair statement of the case. The Company accepted the risk of the Railway being a commercial success, but they did not accept the risk of the Government amending the General Railway Act in such manner as to make it impossible to issue its Bonds when required, nor did the Company take the risk of the Government refusing to allow it to finish the Railway when it was ready with its capital to do so. These were not Joint Stock risks.

The amendment of the General Railway Act was the originating and sole cause of the Company's misfortunes. It prevented the issue of the Bonds which ruined the firm of contractors and compelled them to stop construction when there was only about one quarter more of the work to do to complete the Railway. This in turn caused the Company's default and all the disastrous consequences which followed. We cannot be expected to accept as genuine the Government's regrets at our loss when they prevented us from completing the Railway and earning the subsidy which would not only have saved us from loss but have given us a profit.

In the Order-in-Council of 4th April 1899, addressed to the Company the Government say they

"feel assured that in refusing to renew the Company's charter and subsidy it will do "that which is best not only for the interests of Canada, but also for the interests of "the British investing Public which should not be tempted to put further sums into "an enterprise which can end only in disaster."

Renewing the subsidy would have saved the Company from disaster. The contract cost of the railway was £950,000. Of this about £800,000 were expended, and including extras it could have been fully completed for £200,000. The subsidy was $170,602, say £35,000 annually for 20 years, making £700,000, which after completing the railway would have left, say, £500,000 for distribution to its bond and shareholders. The statement that the Company was saved from further loss by being deprived of its subsidy is therefore totally contrary to the facts.

With all respect we beg to say that the Government's expressed anxiety to save the Company from further loss reads as a singular commentary on the fact that when the above quoted paragraph from the Order was written **the Government had received in its coffers a sum of the Company's cash which now amounts to more than a million dollars**

It was many times stated in the press and on platforms to influence the public mind against us, that the Company had received public money. And even in Parliament things were said which, inferentially, might lead to belief in the statement. But there was no truth in it. The Company never received a cent of public money nor could it get any of the subsidy until the Railway was completed to the satisfaction of the Government and then only half yearly while it was worked to their satisfaction.

The Company was also the victim of innumerable truthless charges made intentionally in order to destroy it. These were common on platforms and Parliament had even to listen to some of them. We give below a few remarks made in the House regarding the Company, during the debates in 1896, taken from Hansard.

Page 3097.—"Sir, by granting this money you are giving the promoters of this scheme a further opportunity to swindle the British public, because the scheme upon its face is a swindle."

Page 4632.—"It is a bogus concern."

Page 4631.—"I have no hesiration in saying that it is one of the most astounding frauds af the present century."

Page 4638.—"A fraud it has been called, it is the worst kind of a fraud."

Page 3093.—Speaking of those who brought out the Company, he said :—"I venture to say by men who have now little if anything invested in this scheme. They floated the Bonds of the Company no doubt at a very heavy discount."

Page 4634.—And referring to our investors having taken the issues, said ;—"If they have, they have taken them at a most terrible discount. They have paid but a small price for them.

Page 4648.—"I would like to say for one, that if my vote is going to have the effect of destroying the credit of institutions like the Chignecto Marine Transport Railway Company in London, I would be very glad to destroy their credit.

Page 4634.—"It is of no consequence to the people of Canada whether the English Bondholders or Stockholders have lost their money or not.

Now we respectfully ask Honourable Senators and Members to think of those of whom the above things were said. We are a body of investors, who, in reliance on the statutory obligations of your Government expressed in Acts of Parliament and belief that such would be observed in good faith, expended about four million dollars on the Chignecto Railway—a Government scheme entirely—examined, adopted, chartered and subsidised by the Government. We carried out the construction of the Railway so far as we could and were prevented completing it by the Government itself. And it was to such investors that the above language was directed.

In the Order-in-Council of 4th April, 1899, the Government in the following paragraph claims to having dealt liberally with the Company.

> "It should be noted that Parliament having decided to incorporate the Company and grant the subsidy allowed the very liberal period of seven years for carrying out the undertaking."

Now, what are the facts? The Company was incorporated in 1882, but that was only the beginning of the work by the Government and Parliament. In 1883 it fixed by an Act the amount of the capital of the Company, and in 1886 by another Act it settled the contract with the Canadian incorporators to build the Railway. Therefore 4 of the 7 years were used up by the Government itself in preliminary legislation. The Canadian incorporators then commenced the preparation of plans and specifications which occupied the summers of the following 2 years and these were agreed to by the Government in 1888, which left only a year remaining of the 7 allowed in the original Act to complete the Railway. It is common knowledge that when time is not of the essence of the contract—and it was not so in the case of the Ship Railway—all the time necessary is allowed to carry out such work. In the Act just passed by Parliament for the Georgian Bay Canal, 6 years is only allowed to finish, but more than twice that time will likely be required.

All such contracts form a class by themselves and merit special consideration. In carrying out sub-aqueous or submarine works—the Chignecto Docks at the termini of the Railway were such—the time agreed on can never be more than an estimate, as it is impossible to know accurately in advance the difficulties that may be encountered. This proved to be the case with the Docks, as the foundations had to be carried down more than twice the depth originally intended. If, therefore, companies were to be held to the day, then it is certain that they would not undertake such works; Governments would have to do them for themselves.

British investors have found Capital for innumerable Railways and other undertakings carried out in many other countries, and, when expending their own money, as they were on the Chignecto Railway, have invariably, so far as we know, had all the time granted to them necessary to complete the work; and more especially should this have

been done in the case of Chignecto, as no one could suffer by the delay except the investors themselves. **The Chignecto Railway is the only exception to the above rule and practice, and if we had supposed it possible we should have received such treatment from the Government we would not have entertained their proposals or supplied a single dollar.**

The Order in Council of 4th April, 1899, contains the following paragraph—

> "But inasmuch as the Company have dwelt upon the general approval with which their enterprise was viewed in Canada, the Sub-Committee think it proper to observe that from the beginning the undertaking was regarded by many as one of a very useless character, and reference to the official record of the debates which took place from time to time in Parliament, when the matter came up for discussion, will show that many Members of Parliament condemned the scheme as unwise and not likely to prove successful."

Reference to Parliamentary debates show that there are only slight grounds for the statements in the above paragraph. The following is a short account of what took place in Parliament during the passage of the five Acts for the Canadian incorporators before we, the investors, took up the scheme and supplied the capital.

There were two principal Acts passed for the railway in 1882 incorporating and subsidizing. In 1883 the former and in 1886 the latter were amended by other Acts. The four Acts were 17 times before the House and committees, and 17 times before the Senate and committees. On most of these occasions the business was formal and without debate: There was no division in the House at any stage but in the Senate there was a division called by the Senator for Halifax because Halifax thought their business might be prejudicially affected when the railway was built. In this division only 7 Senators out of 80 opposed the Bill.

The Act of 1888 extended the time to the incorporators in order for them to get the capital. It was three times before the House and there was one division on the second reading when 52 voted against and 84 voted for the bill. This Act was four times before the Senate without a division.

But even if what is said in the above quoted paragraph from the Order-in-Council were correct—the same Order-in-Council supplies a complete reply, for the Government say therein that they

> "fully understand that any legal or moral obligation arising under an Act of Parliament can in no way be affected by any consideration as to whether the legislation in question was generally approved or otherwise. Any obligation assumed by the Dominion is recognised as fully binding upon the country irrespective of the numbers supporting or opposing it."

The above is a true statement of the position and the Government should honourably recognise the moral claim created and provide a prompt settlement of the Company's claim.

Another statement in the Order in Council of 4th April, 1899, requires notice. A Mr. Baird, of St. John, N. B., the owner of three small schooners, said in 1896 in the House that as he had not had any offer of freight between ports in the Bay of Fundy and those in the St. Lawrence during the previous 5 years he could see no future for the Chignecto Railway, etc. Commenting on this the Order in Council says:—

> "It is well known that the opinions above expressed are in harmony with those entertained by commercial men generally in the portion of the Dominion in which the Works (i. e. Railway) are located."

The above statement is incorrect. Those on the spot told a totally different story **before our investors had supplied the capital and when they were inducing them to do so.**

On the 20th October, 1883, the Board of Trade of St. John representing all the shipowning and commercial interests held a meeting and passed a resolution stating that a Ship Railway across the Isthmus of Chignecto would

> "Stimulate the development of the agricultural, mining, lumbering and fishing resources of the districts contiguous to the aforesaid ports * * * also that the undertaking would greatly facilitate trade and commerce between the eastern and western provinces, and further that this Board cordially approves the project for building the Ship Railway believing that this is a movement which will commend itself to all classes and prove to be a great convenience to our trade and commerce generally.

Therefore according to the representatives of the commerce of the city of St. John the above advantages would have been obtained by completing the Railway. They expressed the collective opinion of the port and against them the solitary instance of Mr. Baird is given whose commercial interests in the place were microscopic, and who spoke not when the St. John shipowners and commercial men wanted the Company to spend its money, but five years after it had done so.

The Railway was situated on the border line between the Provinces of Nova Scotia and New Brunswick, and when the Act was before the Nova Scotia Legislature authorising taxation to buy the right of way for the Railway, Mr. Townshend, speaking for the Provincial Government said—

> "We need not say that this work must be a very great advantage, not only to the "particular part of the country over which the Railway was to go, but to a large "part of Nova Scotia, including the countries bordering on the waters of the Gulf, "and those bordering on the Bay of Fundy, and also to all the sea board counties "of New Brunswick.

We also notice that of the 20 Canadian promoters whose names were on the Act of Incorporation 16 were connected with the Provinces of Nova Scotia and New Brunswick.

The above testimony from New Brunswick and Nova Scotia, which were to be chiefly benefitted by the Railway, proves that the statement in the Order in Council has no foundation.

In addition to the above we might quote the press of that part of Canada. The articles which appeared in it favourable to the Ship Railway would fill volumes.

Besides the facts stated in the foregoing brief history of the Railway and in the replies to the statements in the Orders in Council the attention of Hon. Senators and Members is called to the following points, which, with what has gone before, prove beyond question the moral and equitable claim of the Bond and Shareholders on the Government.

First.—The Railway was entirely Canadian in its inception and promotion. There was no promotion by anyone in England. The Subsidy clause in the Act was reprinted in the prospectuses issuing the Bonds and Shares. All subscriptions of capital were therefore obtained on the statutory promises made by Parliament itself.

The scheme was adopted by the Government after full examination and it was brought to London by Mr. Ketchum, endorsed and backed by the Government stage by stage, until they secured our investors' money.

That the Government was responsible for the promotion of the Railway, is stated by the Right Hon. Sir Richard Cartwright, Minister of Trade and Commerce in the present Government, in the speech he made in Parliament quoted herein on page 7.

Sir Charles Tupper, High Commissioner in London, recommended it as a scheme cordially supported by the Canadian Government. In reply to a deputation, which waited on him in London on the 20th March, 1893, he said :—

> "In the light of all that has occurred, in the light of my thorough knowledge and familiarity with the sections of the country through which this railway is to run, and with my knowledge of the commercial business and shipping trade of Canada, I have no hesitation in saying I believe to-day that all that is required is the Capital to be forthcoming to complete this undertaking, to make it not only a thorough engineering but an equally great financial success, and that the return the parties supplying the Capital may confidently look forward to is placed as much, in my judgment, beyond doubt, in connection with the subsidy which is provided by the Government of Canada, **as any financial undertaking or business enterprise that was ever presented to the public.**"

Secondly.—The treatment we have had from the Canadian Government is totally different from that given to the promoters of public works financed in Canada. On page 11 the fact is stated that the Bill to extend the time to complete the Railway was thrown out on a snap division by one vote. **Such treatment was absolutely without precedent.** The invariable practice of Parliament is to read every Railway Bill a second time and send it to the Committee. **The Chignecto Company's Bill was the only exception ever made to this rule,** and its defeat was effected because many members who supported the

Government, naturally not expecting a division, as such had never previously taken place on the second reading of a Railway Bill, were not in attendance.

Mr. Provand addressed a meeting of Senators in Ottawa, on the 3rd of May, 1901, in support of our claim, and the proceedings were reported in the *Ottawa Evening Journal* of the following day, from which we quote. When Mr. Provand finished his address Sir Mackenzie Bowell said :—

> "Mr. Provand did not claim he had any legal right, but put his claim on moral and equitable grounds, and on the ground that all other subidized enterprises, except this one, had been given renewals when they failed to carry out their work in the first instance. He knew of no other Company than the Ship Railway Company that had been treated otherwise. Mr. Provand's position was "treat us as you have treated others, otherwise give us compensation" He claimed the investors had looked at the Acts of Parliament, and seeing that they were ensured so much, had therefore put their money into the project."

It is common knowledge and Curriers "Index to Railway Legislation" proves it that extensions of time to carry out works are given to Canadian promoters almost as a matter of course even in cases where they have not expended a dollar on the work, yet it was denied to our Bond and Shareholders who spent nearly four million dollars on the Railway—the scheme of the Government.

In the Debate on the 26th of March, 1896, in the House, the Hon. Mr. Ives, formerly Minister of Trade and Commerce, and therefore well qualified to speak on the subject, said :—

> "I have never known during my 20 years of Parliamentry life of an instance where a company has been refused the renewal of a Charter. I have known hundreds of cases in which not a dollar had been spent, but where renewals have been given not only once, but three or four times"

Our treatment is therefore without precedent in Canadian Parliamentary annals.

An example of what is usually done is shown by the Parliamentary history of the GEORGIAN BAY CANAL scheme for which extensions of time have already been given as follows :—

1894, 1st	Act passed,	work to	begin in	1896,	and be	completed in	1902
1896, 2nd	"	"	"	1898,	"	"	1906
1898, 3rd	"	"	"	1900,	"	"	1908
1900, 4th	"	"	"	1902,	"	"	1908
1902, 5th	"	"	"	1904,	"	"	1910
1904, 6th	"	"	"	1906,	"	"	1912
1906, 7th	"	"	"	1908,	"	"	1914
1908, 8th	"	"	"	1910,	"	"	1916

And unless the scheme is abandoned Parliament will no doubt continue passing Acts extending the time to complete the Canal until

the Canadian promoters secure the capital in England. And if they succeed, and the Canal is not completed on the day named, the Government may then tell the Bond and Shareholders that all the extensions of time granted by the above-named Acts were given to them whereas they have been given to the Canadian incorporators named in the Act who may not furnish a dollar of the capital, and the Government may also refuse to extend the time or renew the subsidy, although meantime enormous sums of British investors' money have been expended on the Canal. This would be following the precedent of the treatment meted out to the Chignecto Railway.

In regard to the treatment we are entitled to, Sir Charles Tupper told a deputation, on the 20th March, 1893, that

> "There is no doubt whatever that the parties who have invested their money in this enterprise are in a position to claim from the Government of Canada, in my opinion, the fullest and fairest consideration. They have entered upon this measure upon no imperfect calculations. Every means that were possible that could be taken to warrant the enterprise being presented to capitalists as a sound enterprise were taken.

And as to an extension of time to complete the Railway, he said;—

> I know of no instance in which any Government or any respectable concern of any kind have ever taken advantage of the stoppage of the work, from circumstances altogether beyond the control of the parties, for the purpose of relieving themselves of any responsibility. I do not believe the Government of Canada will do so. I do not believe it. I believe not only their sense of right and of justice to the promoters and capitalists connected with this great enterprise, but their regard for the financial standing and character of the country itself, will insure to you that, if at an early period you are in a position to comply with the terms of the Order-in-Council, you may confidently rely upon a fair and reasonable extension of the time necessary to complete the work. I have great pleasure in saying that to you, because I feel that you are entitled to that consideration, and I am sure it will not be withheld by the Government of Canada.

In 1897, when the Right Hon. Sir Wilfrid Laurier, was in London, a deputation of Bond and Shareholders waited on him, and complained of being dealt with by the Government in a manner without precedent. He admitted that was so, the refusal in this case was be cause the present Government did not think the Ship Railway would be commercially successful.

This position is untenable. The worse the prospects of commercial success could have been shown to be, the stronger is our claim for compensation, for it was entirely and solely a Government project. No person in England had anything whatever to do with its origin. After the Government had fully and exhaustively examined the scheme it adopted it and passed Acts through Parliament incorporating and subsidising it, and afterwards amended and re-amended these Acts until it succeeded

in inducing our investors to find the capital. It was solely in faith of these statutory obligations of the Government to pay the subsidy, as stated in the Acts of Parliament, that we did so.

The Government knew the Railway could not pay in the earlier years and they therefore voted the subsidy.

It was impossible to fairly raise any question relating to the probable commercial success of the Railway after we had, in good faith, relying on the Acts passed by the Government itself, expended nearly $4,000,000 in completing the Railway to the extent of about three-fourths. And we were prevented finishing the Railway by the Government which thereby stopped itself from raising any question relating to the commercial success or otherwise of the Railway.

Thirdly.—There is an important difference between the subsidy to the Chignecto Railway and a subsidy granted to an ordinary railway. In the former case the risk was enormously greater, as the whole of the capital had to be expended and the work completed to entitle us to the subsidy; whereas in the case of an ordinary railway, the subsidy is paid on the completion of every few miles, and if the Chignecto had been an ordinary railway, about three-fourths of the subsidy would have been earned and received, and there would have been no question of re-voting any amount except the balance. **Therefore refusing our appeal penalized us to the extent of all the money expended on the Railway, a case without precedent or parallel in the history of such enterprises. We contend that this entitles us to special consideration as it was in effect the confiscation of the Company's entire property.**

Fourthly.—And there is another circumstance entitling us to compensation. The estimated duties on the hydraulic and other machinery imported from England which could not be made in Canada were $250,730, but the valuations taken by the Canadian Customs were about ten per cent higher, making the duty equivalent to say $275,000. There were also supplementary duties on extra parts of machinery and other importations amounting to $44,000. On the other hand there were a few pieces not shipped. Allowing for these the duties paid were approximately $300,000.

There were also paid to the Intercolonial Railway,—a Government Railway—about $300,000 for the transportation of machinery and materials, etc., of which enormous quantities were used in construction, all of which was highly profitable traffic and created entirely by the Chignecto Railway. Other estimates place the amount paid to the I.C.R., much higher but assuming only $300,000, this, with the duties, makes $600,000 paid to the Government 18 years ago, which with interest **now amounts to more than a million dollars which the Government has directly benefitted owing to the Chignecto Company's operations.**

Fifthly—The Railway was in effect a partnership between the Government and the investors. The former gave up the project of a Ship Canal and saved their own money and adopted a Ship Railway because it was a better scheme and was to be built with British money, and, to induce the investors to do so, passed the Act undertaking to pay the Company an annual subsidy. But when the Company was ready to

complete the Railway the Government would not allow them because they would then have had to contribute their share to the partnership, namely, the annual subsidy.

Sixthly.—Many statements made by public men and by the press could be quoted supporting the claims of the Company. We take the following from the *Toronto Globe*, which said :—

> "The question more immediately concerning the Canadian people is to what extent the Dominion Government is liable. It is true that the promise of a twenty years' subsidy was conditional on the completion of the work, but it is equally obvious that the action of Parliament was the bait which caught the British investor, who would not have bitten at a naked hook. The original subsidy promised in 1882 was for $150,000 a year for twenty-five years, but in 1886 this was changed to a subsidy of $170,000 a year for twenty years. If we repudiate all responsibility, **as technically we should be warranted in doing**, the credit of the Dominion would suffer, for there can be no doubt that we have incurred a considerable degree of moral responsibility in connection with the undertaking."

The foregoing shows that the denial of our claim in the opinion of the *Toronto Globe*, the leading Liberal newspaper in Canada, and the most influential supporter of the present Government, **would be repudiation on technical grounds**.

The following is from the *Ottawa Daily Free Press*, also a supporter of the Government. The article, after commenting on the subject, says :—

> "But there is an aspect of the case which is almost painful, **as it practically amounts to a national disgrace.** On the strength of the endorsation given it by Govermental and Parliamentary procedure, many people in Britain have been induced to sink money in the project which must now be regarded as lost."

In 1892 the Company applied to the Government for authority to create Preference Bonds and for an extension of time. In the debate which ensued the Hon. Sir John Abbott, then Prime Minister, said :—

> "It seems to me that we are to a great degree bound in good faith to give these contractors the opportunity of completing this work. I do not see very well how we could refuse them. I think a refusal to allow men who have spent three millions of dollars to spend $1,500,000 more would work very unfortunately on our enterprises, when we apply to England to borrow money to finish them with, and I think it would be an extremely hard measure to mete out to these contractors to say that, not having completed their work within the precise time mentioned in the contract, they should be mulct of so large a sum as they have invested in it."

The Hon. Mr. Botsford said :—

> "The Parliament of the Dominion is pledged to these parties to assist them as far as possible, and it would be a breach of trust—in my opinion a breach of confidence—that could hardly be justified by any legislative body."
>
> "The money has been advanced by capitalists in England upon the faith of the Parliament of Canada."

The Hon. Mr. Howland said :—

"It would be very unjust on the part of this Parliament, after an expenditure of three millions of dollars on the work, to step in and prevent its completion."

The Hon. Mr. Kaulbach said :—

* * * "but we are in this position, that by our own act we have granted the charter, and induced capitalists to expend a large amount of money—not money of Canada, but money of other people brought into this country in the construction of this work. Should the Company fail now in getting what they ask for, the money would be lost to those persons who have embarked in this undertaking upon the faith of the legislation of this country."

And on a subsequent occasion, a few days later, he again spoke and said :—

"If we attempt now by any means to prevent this undertaking from going on after an expenditure of $3,500,000 we will show that we are endeavouring to repudiate our obligations. The object of this amendment is to frustrate the bill altogether and to stultify ourselves and make the people of England feel that they have no confidence in the future legislation of the country We have, by the subsidy we have offered, induced capitalists to go into this enterprise and invest their money, and if we now repudiate our agreement we will be acting in bad faith with those people. * * * If we throw out the bill, and by doing so ruin the undertaking, it will be forever a monument to the perfidiy of Parliament in trying to get rid of an honourable obligation which we assumed, and by which we entrapped the capitalists of England into investing their money in an enterpise for which they believed they had the guarantee of Canada."

Many similar expressions of opinion from public men in Canada could be added to those above quoted.

Lastly—It may naturally be asked why, in view of the facts stated herein—none of which is denied by the Government—they did not re-vote the subsidy and extend the time to complete the Railway. No reasons have been given, save those in the Orders-in-Council which we have replied to. But in regard to one statement, namely, that we received several extensions of time we desire to say further, that such was not the case. There were only two extensions of time. One was granted to the Canadian promoters in 1888, the year before we were connected with the Railway (see page 6), and the other was the only one we received. It was granted for one year by Parliament in 1891 on account of unforeseen difficulties in construction after these had been fully explained to the House by the Finance Minister. The Government did not finish their negotiations with the Canadian Incorporators until 1888, and 6 of the 7 years named in the first Act to complete the Railway had then expired. They therefore extended the time to the Incorporators for 3 more years to secure the capital which otherwise they could not have obtained. Our connection with the Company—before

which it was only a paper Company—commenced the year after namely, in March 1889, when we subscribed for the preference shares.

In stating that the extension of time in 1886 was given to us, the Government take advantage of a fact which, instead of being used against us, should entitle us to generous treatment. When the Railway was brought to London we might have registered a British Company before issuing the shares, and it would then have been impossible to say even in a technical sense—and that is the only sense in which it is true—that our investors made any application to Parliament before 1891; but instead of doing so, we showed our confidence in receiving just treatment from the Government and carried out the work as a Canadian Company operating under Canadian law.

The debates which took place in Parliament show that party politics interfered with the fair treatment to us that Canadian investors invariably receive, and to which we were undoubtedly entitled. No enterprise of this character, in which Canada succeeded in inducing distant investors to place their capital, should ever have been made a party question; but it was made so, and we note the fact that in the division in the House in 1896, on the Company's private Bill, a party vote was given. Every member who was present on the Government side, save one, voted for the Bill, every member on the Opposition side voted against it.

Many statements have been made imputing responsibility for the Railway which are mistakes or irrelevant or both, but which require notice. Our claim has been spoken of as if it attached to Nova Scotia because the Railway was in that province. This fact does not make that Province more liable than it does British Columbia, 3,000 miles away. It has also been said to attach to the Conservative party because the Acts were passed by a Conservative Government. They did so, but both political parties supported the policy of a Ship Railway across the Chignecto Peninsula from the beginning. A canal was advocated as early as 1825 and successive Governments favoured it. The Royal Commission of 1871 which recommended its construction regardless of cost was outside of politics A Conservative Government voted money for a Ship Canal across the Peninsula in 1872 and 1873, and a Liberal government also voted money for the same purpose in 1874 and 1875. In the last year the vote was for $1,000,000 with the intention to commence construction and the Hon. Alexander Mackenzie, then Prime Minister, said in the House that if it could be built for the estimated sum it would be as well to do it.

The Company's Incorporating and Subsiding Acts were passed through Parliament without dissent and blessed by the leaders on both sides—Sir John Macdonald, Prime Minister, and the Hon. Alexander Mackenzie. The statement sometimes made that one party is more responsible than the other for the Ship Railway legislation is in direct variance to the facts. It should be unnecessary to have to say this but irresponsible persons have to some extent talked themselves and others into the belief that there is something in such irrelevancies.

Responsibility does not attach to one Administration or to one Province or to one Party more than to another. The claim of the Company

is a liability of the Crown as the Dominion Government was directly and entirely responsible for everything that was done in regard to the Railway. No Minister will question this fact and to the Government we look for a settlement.

Although Administrations succeed each other, Government itself is continuous, and the responsibility for promises made and obligations officially undertaken by Ministers—and all those we have quoted were so—is not confined to themselves, but passes to their successors in office. No difference of opinion, however acute, arising out of party politics should be permitted to impair the obligation to observe this principle, more especially when those who would suffer thereby are, as in our case, distant from Canada.

We have quoted statements made regarding the Company by four Prime Ministers who held office in previous Governments, also by the former Finance Minister and the High Commissioner for Canada in London. Their promises to us and their recommendations were not personal to themselves or to the Administration then in office. **They spoke for Canada and the present Ministry cannot divest themselves of responsibil ty for what was said and done by their predecessors.**

The Order in Council of 1896, issued by the last Government, placed the facts on record that the Company had secured the capital to complete the Railway before July 1st. 1894, the date fixed by themselves in a previous Order, and was ready to re-commence construction if time were granted, and that the delay which had occured was

"owing to circumstances entirely beyond the control of the Company."

The Order finally recommended Parliament to reinstate the Company and allow i' to finish the Railway. That Order in Council was honourably binding on the present Government, but as they did not observe and act on it, the Company is therefore justly entitled to reasonable and fair compensation.

A. D. PROVAND,

Representing { SIR RICHARD BIDDULPH MARTIN BART. / EDWAD BOND, ESQ. / J. VAR RAALTE, ESQ. } Trustees for the Bond and Shareholders

"A DEBT OF HONOUR"

THE CASE OF THE

CHIGNECTO RAILWAY COMPANY

AND

THE CANADIAN GOVERNMENT

Ottawa, April 1908.