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Grand Trunk Railway.

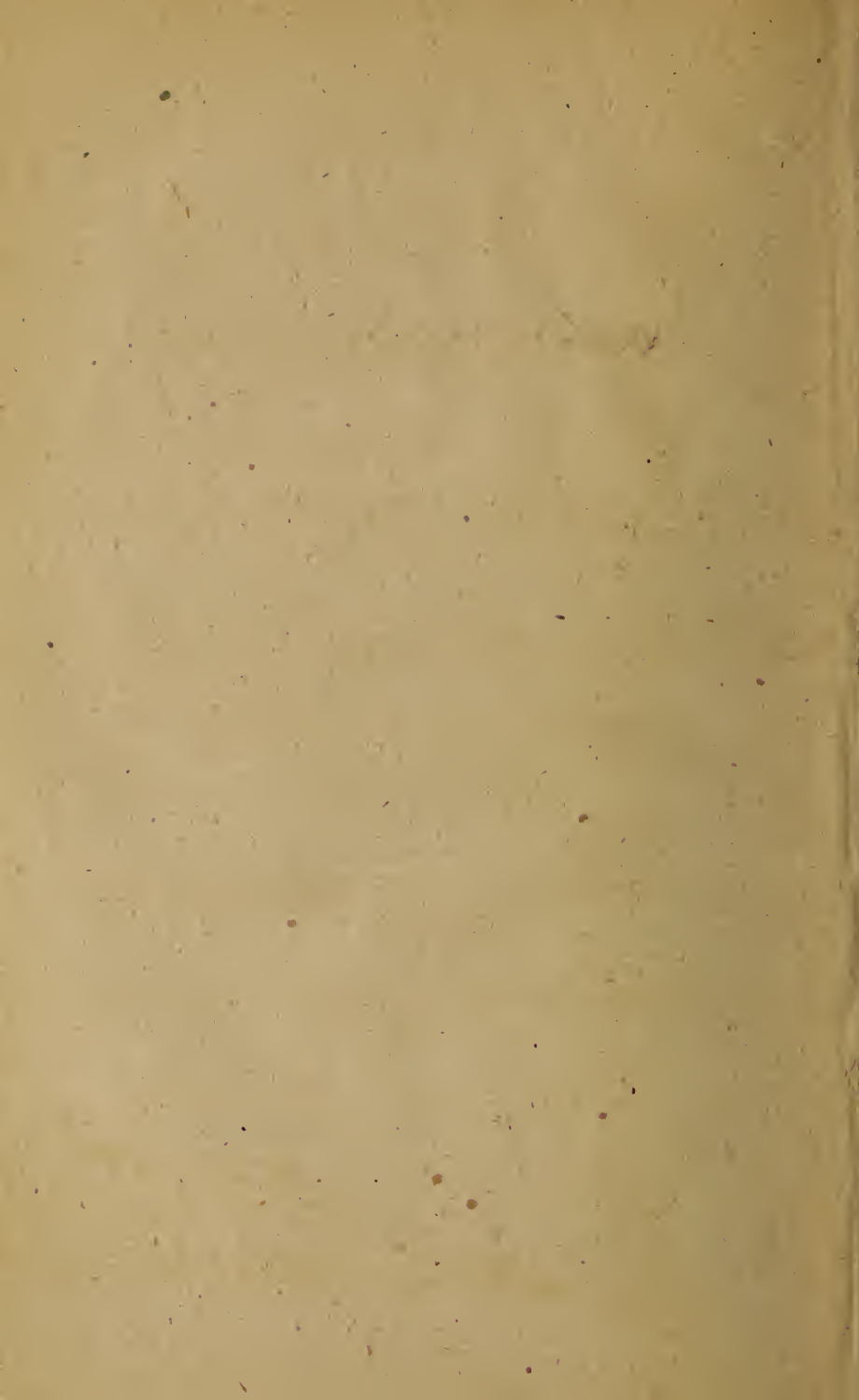
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Report of Committee of Share  
and Bond Holders.

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6 February, 1861

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6th FEBRUARY 1861.

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Grand Trunk Railway of Canada.

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FIRST REPORT

OF THE

SELECT COMMITTEE

OF

SHARE AND BONDHOLDERS

APPOINTED AT THE MEETING OF THE COMPANY  
HELD AT THE LONDON TAVERN ON 2ND JANUARY 1861,  
TO CONFER WITH THE DIRECTORS CONCERNING ALL THE  
AFFAIRS OF THE COMPANY,

AND INCLUDING

A PETITION TO THE LEGISLATIVE ASSEMBLY OF  
CANADA,

AND

A STATEMENT OF REASONS IN SUPPORT OF THAT  
PETITION.

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LONDON:

WATERLOW AND SONS, LONDON WALL, BIRCHIN LANE, AND  
PARLIAMENT STREET.

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At a Meeting of the Share and Bondholders of the *Grand Trunk Railway Company*, held at the London Tavern, on Wednesday, the 2nd January 1861, THOMAS BARING, Esq., M.P., in the Chair :—

RESOLVED—“ That a Select Committee of seven persons, viz., two First Preference Bondholders, one Second Preference Bondholder, two Ordinary Bondholders, and two Shareholders, be appointed to confer with the Directors as regards sending a Commission to Canada, and as regards all the affairs of the Company, and with power to add to their number.”

“ That Robert Wigram Crawford, M.P. for the City of London ;  
William Newmarch, London ;  
Samuel J. Arnold, Liverpool ;  
William Evans, Manchester ;  
William Hartridge, London ;  
William Smith, London ;  
Henry Wheeler, London,  
Be the Members of such Committee.”

ALSO RESOLVED—“ That it be referred to the Committee now appointed to consider a Scheme which has been proposed for equipping the Line with plant and rolling stock, and for extricating the Company from its present financial difficulties, and to report thereon, and on any amended or substituted scheme which they may advise, at the earliest period.”

ALSO RESOLVED—“ That the subject of the Agreement with the Great Western Railway be referred to the above-named Committee.”

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21 Old Broad Street, City,  
London, 6th February 1861.

FIRST REPORT of the *Select Committee of Share and Bondholders* appointed at the Meeting of the Company held at the London Tavern on Wednesday 2nd January 1861, to confer with the Directors concerning all the Affairs of the Company.

The Committee of Share and Bondholders, appointed in terms of the Resolutions printed on the opposite page at the meeting of the Company held on the 2nd January (1861), have proceeded diligently in the discharge of the duties entrusted to them.

They have examined at great length the President and many of the officers of the Company, whose visit to this country had been required preparatory to the January Meeting, and for other purposes. The Committee have also examined other persons practically acquainted with Canada, and personally conversant with the condition, difficulties and prospects of the *Grand Trunk* Line.

The Committee have also, as directed by the terms of the Resolutions appointing them, conferred frequently and freely with the London Board of Directors; and they have had placed fully at their disposal all the information and resources available in this country.

As the result of these enquiries and conferences the Committee have arrived at the clear conviction, that

until the Report of the Three Commissioners appointed by the Government of Canada, in November last, to enquire into the present condition and management of the *Grand Trunk* line has been received here, it will be premature to send to Canada from this country any second Commission of Enquiry. The Report of the Canada Commissioners will be presented in the course of the present month of February, and will therefore be received in England within a few weeks from this date.

The Committee have also arrived at the conclusion that, at present, it is not expedient to send to Canada, as proceeding officially either from the Committee or the London Board, any specific scheme or proposal indicating the precise mode in which relief is to be sought from the Government of Canada.

The Canadian Parliament will assemble about the end of the present month of February, and the Committee believe that they are quite justified in their expectation that the subject of the difficulties of the *Grand Trunk Company* will form one of the earliest questions to be considered by one or both of the Houses of Legislature.

The Committee, as at present advised, recommend the Share and Bondholders to await intelligence of the course taken by the Canadian Government and Parliament.

The Committee desire to state that they have examined carefully, to the extent of the means in their power, into the manner in which the affairs of the Company are managed in Canada; but, inasmuch as the evidence thus obtained is voluminous in its nature

and refers to matters of practical detail, requiring closer investigation and more careful deliberation than the Committee have been able as yet to bestow upon it, they refrain for the present from recording their opinions in this Report, further than that the general system of management will require considerable modification.

In the meantime the Committee have adopted the conclusion, that the best and most effective means of advancing the claim of the *Grand Trunk Company* upon the consideration of the Canadian Government and Houses of Assembly will be by means of a *Petition* to be sent by the Share and Bondholders in this country, praying generally (subject to a careful reservation of all legal rights) for relief and assistance in the present embarrassments of the Line.

The Committee have prepared a *Petition* in this sense, and a copy of it is appended to this Report.

The *Petition* will lie for signature at the places named at the foot of this page,\* and a form of "Authority to Sign," is given at page 55 for the use of Share and Bondholders who may be unable to attend personally at any of the places named. The despatch of the *Petition* by the *earliest possible date* is most important, and hence the Committee have to urge the promptest measures for the collection of a large number of signatures.

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\* The *Petition* will lie in *London*, at the offices of the Company, 21 Old Broad Street, City; at Messrs. Waterlows, Birchin Lane and Parliament Street; and at the Stock Exchange, London; and at the several Stock Exchanges at *Liverpool*, *Manchester*, *Glasgow*, *Edinburgh*, *Birmingham*, *Leeds*, *Bristol* and *Dublin*.

But beyond the presentation of a Petition of the nature just described, it appeared to the Committee to be on every ground desirable that the *reasons* constituting the claim of the *Grand Trunk* line to the attention of the Canadian Legislature should be fully and calmly set forth.\* The Committee have accordingly prepared a "*Statement of Reasons in support of the Petition of the Share and Bondholders applying for Aid to the Canadian Parliament:*" and that Statement is annexed hereto, and is intended to be considered as part of this First Report. In this document the Committee have sought to present such an outline and summary of the history, condition and claims of the *Grand Trunk Company*, as may serve to bring the whole case easily and clearly, not only before the Legislature of Canada, but also before the English and the Canadian public.

ROBT. W. CRAWFORD,  
*Chairman,*  
 WILLIAM NEWMARCH,  
*Deputy Chairman,*  
 SAMUEL J. ARNOLD,  
 WILLIAM EVANS,  
 WILLIAM HARTRIDGE,  
 WILLIAM SMITH,  
 HENRY WHEELER,

Select Committee of Share  
 and Bondholders of the  
 Grand Trunk Railway  
 Company.

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\* The Committee would refer particularly to the passages at page 45 shewing that the *Grand Trunk Company* has contributed in Customs and other duties to the Canadian Exchequer as large a sum as has been contributed by the Province to the commercial portions of the Line.

## II.

To the LEGISLATIVE ASSEMBLY of the PROVINCE OF CANADA in Parliament assembled :—The HUMBLE PETITION of the undersigned Share and Bondholders of the “GRAND TRUNK RAILWAY COMPANY OF CANADA,” residing within the United Kingdom of Great Britain and Ireland :—

Sheweth—

That your Petitioners approach your Honourable House for the purpose of placing before it, as the constitutional representative of the People and Province of Canada, the losses and embarrassments which have arisen to your Petitioners in constructing and completing, during the last eight years, the system of Railways within and connected with Canadian Territory known as the *Grand Trunk Railway Company of Canada*.

From the early part of the year 1853 to the commencement of the present year 1861, your Petitioners have expended virtually in Canada by the employment of Canadian labour, and the consumption as far as possible of Canadian materials, a sum equal to £15,000,000 of sterling money, in designing, constructing, equipping, and opening for daily traffic, a system of 1,120 miles of railway, adapted in all its parts to perform the functions of a main artery of traffic ✓

throughout the entire length of the Province from West to East, and from South to North.

The Lines constructed by your Petitioners have been built in the best manner, and under the advice and guidance of men the most eminent among the Engineers of this age. Your Petitioners humbly represent to your Honourable House, that the *Grand Trunk Railway* is not a temporary timber road, composed of inferior materials, abounding in bad and dangerous gradients, and slight and perishing viaducts and bridges, but a line solid, durable, and complete in all its structural parts, and therefore constituting an endowment to the Province, which for generations to come will advance and foster the growth throughout the whole territory of Canada of wealth, security and contentment.

Your Petitioners also represent to your Honourable House, that it was from the origin of the *Grand Trunk Company* a prominent part of its design to confer upon Canada, by means of a Bridge over the St. Lawrence, the inestimable advantage of opening through the territory of the Province a continuous Line of Railway from the Atlantic Ocean to the Western regions—and, at no distant day, to the Western shores—of the North American continent.

By means of the *Victoria Bridge* of Montreal, designed by Robert Stephenson, and admitted by the general voice to be the noblest and boldest achievement of the engineering science of the countrymen of your Petitioners,—raised, completed and opened in defiance of delays, impediments and dangers, which

henceforth will form a prominent chapter in the history of your Colony—and entailing a cost on your Petitioners of £1,400,000 of sterling money—the great purpose of an unbroken line from East to West—from Quebec and Halifax to the extremity of Lake Erie—from the St. Lawrence ultimately to the Columbia River—has been conferred, for all time to come, upon the country represented by your Honourable House.

The accomplishment of this vast undertaking has involved your Petitioners in grievous losses, and in many cases in absolute bankruptcy and ruin.

At the present time the *Grand Trunk Railway* is oppressed and embarrassed by debts amounting to not less than £2,000,000 of sterling money, incurred in the completion of the Victoria Bridge—in the equipment of the Line as far as possible—and generally in effecting the commencement of a daily service over the whole system of mileage.

Beyond these embarrassments the Company is urgently in need of a sum of about £500,000 sterling money for the purpose of providing more engines, carriages, trucks, and appliances for the better development of the traffic of the Line, and consequently of the resources of the Province.

Your Petitioners represent that since December 1859, no Interest whatever has been paid upon the £2,781,600 of *Share Capital* of the Company; that since June 1860, all Interest has been suspended on the £3,900,000 of Ordinary Bonds: and (excepting the July 1860 interest in the first Preference Bonds) also on the £3,111,500 of Preference Bonds of the Company.

Your Petitioners also represent that for some time past the *Shares* of the Company have stood in the London market at so low a price as nearly 80 *per cent. discount*, the *Ordinary Bonds* at 50 *per cent. discount*, and even the *First Preference Bonds* at 25 *per cent. discount*.

In other words, your Petitioners have to state to your Honourable House that after eight years of patient and arduous efforts—after sustaining great disappointments—and after enduring the failure of all their hopes, the Share and Bondholders in the *Grand Trunk Line* find that the millions of money spent in conferring upon Canada the most complete system of railways in America, are worth in the open market barely one-half of the amount of capital actually expended in the Province. They also find themselves bound to an undertaking which is overwhelmed with debt, wholly destitute of credit, and in imminent danger of lapsing into utter insolvency and confusion.

Your Petitioners are fully sensible that from the commencement of the *Grand Trunk* scheme your Honourable House have afforded at several dates, and in various modes, assistance to the undertaking.

In the original Prospectus, issued in London in *April* 1853, the amount of Provincial Aid set forth was £1,811,500, to bear 6 *per cent. per annum* as a first charge on the earnings of the Line; and this extent of aid was calculated at the rate of £3,000 *per mile* upon the mileage then contemplated: in other words, the province engaged to contribute a *fixed* sum of £3,000 *per mile*,—estimated as equal to *one-third* of the cost of actual construction.

The amount of advances by the Province was finally extended to the sum of £3,111,500 of sterling money; and as the total cost of the undertaking to the present time has been £15,000,000, as already stated, it follows that the Provincial Aid has fallen from *one-third* of the cost, as originally intended, to little more than *one-fifth*.

By an Act of your Honourable House and the other branches of the Canadian Legislature of *1st July* 1856, the Province consented to postpone, to the extent of £2,000,000 sterling, its first charge on the Line, and authorised the creation of First Preference Bonds to a like amount; stipulating that the money so raised should be applied in completing portions of the Line which were enumerated in the statute.

By further Canadian Acts of 1857 and 1858, the Province postponed its first charge on the Line for £1,111,500 sterling, the balance of its advances, and authorised the creation of a like amount of Second Preference Bonds, and enacted that the claim of the Province to interest, at 6 per cent. per annum, on its total advance of £3,111,500, should be postponed until the earnings of the Line should be sufficient to pay a dividend of 6 per cent. per annum on the *Share capital* of the Company.

In the Prospectus of *April* 1853 the total proposed capital was stated at £9,500,000 sterling, to be raised in the following manner: viz., (1) £1,811,500 by Provincial aid; (2) £1,811,500 by Debentures bearing 6 per cent. per annum; (3) £3,623,000 by *Shares* of £25 each, *half* to be taken by the public in England

and Canada, and *half* to be taken by the Contractor for building the Line; (4) £1,416,400 Shares and Bonds of the "St. Lawrence and Atlantic" and "Quebec and Richmond" lines, then already issued, of which £400,000 were Provincial Bonds; and (5) £837,600 Shares and Bonds, reserved, to be taken *in Canada* by the proprietors of the amalgamated Canadian lines.

Your Petitioners have to represent to your Honourable House that the losses and embarrassments of which they have become the victims, and the failures which have occurred in conforming to the financial estimates of the Prospectus of *April 1853*, have arisen from six principal causes, viz.:

- (1.) From the failure of parties in *Canada* to subscribe for the £837,600 of Bonds and Shares specifically reserved and described in the Prospectus.
- (2.) From the breaking out of the Russian War within virtually a few months after the formation of the Company, and the continuance of the difficulties and cost of that War for the space of three years.
- (3.) From the severe Financial pressure which prevailed in England and throughout Europe between the years 1853 and 1858, more especially in the autumn of 1855, and notably in the most severe form in the autumn of 1857.
- (4.) From the occurrence in Canada and the United States of three successive Harvests partially or seriously deficient, viz., 1857, 1858 and 1859.

(5.) From the failure of the Traffic, on those portions of the Grand Trunk system which were opened from time to time, to provide the amount of revenue which had been calculated upon ; and also from excess of Working Expenses greatly beyond the statements of the Prospectus, and arising in some important degree from the effects of the Canadian climate in winter, on long distances of mileage.

And (6.) Finally from the costs, delays and impediments inseparable from the execution in new and distant regions of a system of Public Works which your Petitioners may truthfully describe to your Honourable House as standing in the first rank of the modern enterprises of Britain.

Your Petitioners therefore approach the Legislature of Canada, and the People of Canada as represented by that Legislature, not as speculators selfishly complaining of the collapse of an adventure conceived and urged forward for reckless and gambling purposes,—but as fellow-subjects of the Canadian people, to whom, as inhabitants of the Mother Country, an appeal was made from the Province eight years ago for assistance in developing the resources, protecting the trade, and fortifying the future progress of Canada by means of a Railway system so extensive and complete as to obtain for the Valley of the St. Lawrence the vast trade which must otherwise enrich the countries south of the American boundary.

Your Petitioners have constructed that railway system, and have opened it for daily traffic ; and no contingency can deprive Canada of the great inheritance.

14 *First Report of Select Committee, February 1861.*

The disappointments, delays, losses and ruin, caused by the occurrence of War, Scarcity and Distress during the progress of the work, and the unforeseen difficulties and cost of an enterprise so new and distant, have fallen on your Petitioners, and not on the people of Canada, whose country is strengthened and enriched by the skill and labour which have been expended—and expended so largely as to represent in mere money cost fifteen times the present public revenue administered by your Honourable House.

Fully reserving all the legal rights pertaining to the several kinds of securities they hold, your Petitioners therefore humbly pray your Honourable House to afford to your Petitioners such speedy and effectual relief as, in the wisdom of your Honourable House, may be best adapted to the necessities and merits of the case of your Petitioners, and may be most consistent with the rights of all parties.

And your Petitioners, &c.

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### III.

STATEMENT by the COMMITTEE of SHARE and BONDHOLDERS of the GRAND TRUNK RAILWAY COMPANY of REASONS in support of the preceding Petition, applying for aid to the CANADIAN PARLIAMENT.

#### I.

The Committee do not consider that the *Grand Trunk Company* are claimants for attention and further relief on grounds of legal right. The Committee are as reluctant to assume an attitude which does not belong to them as they are indisposed to adopt any language, or sanction any proceeding, not consistent with a firm and honest, but respectful statement of the circumstances which have reduced the Share and Bondholders into the position of suppliants.

The Committee rest their appeal to the Canadian Parliament on six principal grounds, viz. :—

First. On the circumstances connected with the introduction of the *Grand Trunk* scheme into the English money-market early in 1853.

Second. On the declared policy of the Legislature of Canada on the subject of Railways for several years prior to the Prospectus of 1853.

Third. On the apportionment of nearly two-thirds of the total Aid granted by the Province to the construction of Lines which at present and for several years to come are and must be wholly

*non-commercial* in their character; that is to say, that, while desirable as public works for the benefit of Canada, are indefensible as mercantile investments for purposes of dividend.

Fourth. On the obligations of Aid which have been admitted by the Province in the course of discussions which have taken place during the last few years.

Fifth. On the benefits which have been conferred by the *Grand Trunk system* on the Province.

And Sixth. On considerations of general policy touching the future progress of Canada, and inseparable from the financial credit of the *Grand Trunk Railway Company*.

## II.

Adverting to these several reasons in their order, the Committee have to state, as regards the *first* of them (*i.e.*, reasons founded on the prospectus of 1853), as follows:—

The original Prospectus of the Grand Trunk Railway Company of Canada was issued in London in *April* 1853. It proposed to raise a total capital of £9,500,000 sterling, in the manner already stated at pages 11 and 12 of the preceding Petition, for the purpose of completing and constructing a series of Main or Trunk lines within the Province of Canada extending to a mileage of 964 statute miles. As portions of this mileage, the Prospectus set forth that the following railways, whose works were in a state more or less advanced, would be amalgamated with the new Company, viz. :—

- “ Grand Trunk Railway of Canada East” (142 miles)
- “ Quebec and Richmond Railway” (96 miles)
- “ St. Lawrence and Atlantic Railway” (144 miles)
- “ Grand Junction Railway” (50 miles)
- “ Toronto and Guelph Railway” (51 miles)

To the mileage of 964 miles *within* Canada was to be joined, by means of a lease in perpetuity, the “Atlantic and St. Lawrence” Railway, running for 148 miles through the State of Maine from the frontier at Island Pond to the city of Portland on the Atlantic shore. The total mileage, therefore, amounted to 1,112 miles, and included the Victoria Bridge at Montreal.

Interest at 6 per cent. per annum on the *Shares* and *Bonds* was promised until the entire completion of the works.

A sum of £837,600 in shares and debentures was stated to be expressly reserved for parties *in Canada* interested in some of the amalgamated Lines.

The estimated *gross* earnings of the 1,112 miles, when fully open, were computed in the Prospectus at the rate of £25 *per mile per week*, or equal to £1,479,660 per annum. The Working Expenses were estimated at 40 per cent., or equal to £591,864 per annum, leaving an annual sum of £887,796 available for Rental of leased lines: Debenture interest at 6 per cent. per annum; and a dividend on £4,864,800 of *Share* capital, equal to 11½ per cent. per annum.

Attached to the Prospectus were three elaborate appendices, the *first* describing in detail the proposed topography and estimated cost of the system of Lines; the *second* entering into minute calculations of revenue; and the *third*, a copy of a lengthy despatch from Lord Elgin, Governor-General of Canada, dated at

Quebec, 22nd December 1852, and setting forth facts illustrative of the progress of Canada. By frequent passages in the Prospectus and Appendices this despatch was rendered an integral part of the publication, and was expressly employed and put forward in order to stimulate the applications for shares and debentures.

The first two names appearing in this Prospectus as "Directors in London," were Thomas Baring, Esq., M.P., and George Carr Glyn, Esq., M.P., described as "*Agents of the Province of Canada, and Directors of the Company on behalf of the Canadian Government.*"

The first six names in the list of persons under the title of "Directors in Canada" were entered in the Prospectus as follows, viz. :—

- "Hon. John Ross, Member of the Legislative Council, Solicitor-General of Upper Canada, *President.*
- "Hon. Francis Hincks, M.P., Inspector-General.
- "Hon. E. P. Taché, M.L.C., Receiver-General.
- "Hon. Jas. Morris, M.L.C., Postmaster-General.
- "Hon. Malcolm Cameron, M.P., President of the Executive Council.
- "Hon. R. E. Caron, Speaker of the Legislative Council."

Your Committee desire to represent in terms the most forcible consistent with the perfect respect entertained by them for the Legislature of Canada, that it was in *boná fide* reliance upon the representations put forward as from the Canadian Government in this Prospectus, that in 1853 the Petitioners and other persons became subscribers to the *Grand Trunk Railway.*

The Petitioners, and their fellow-countrymen

generally, read the Prospectus in its plain and obvious sense, and with every disposition to attach none but the most obvious and honourable meaning to the statements contained in the document.

They found that two of the most distinguished merchants and bankers in London were prominently described as "Directors on behalf of the Canadian Government."

They found that no less than six leading members of the Canadian Executive were Directors in Canada.

They found elaborate topographical descriptions in support of the statements of traffic.

And they also found the official signature and statements of the Governor-General virtually made part of the document.

The Petitioners gave to Canada the full benefit of the official connexion which its Legislature and Government so markedly assumed in the Prospectus ; and they became investors in Canada, and claimants on the *Grand Trunk Railway*, in the full persuasion that a Colonial Government which had sought assistance in England in a form so public and conspicuous would at all times be ready to extend to the obligations thus incurred, at a distance of three thousand miles, not a construction resting on narrow rules of law, but an interpretation large, liberal, and statesmanlike. ✓

The Committee rely with confidence upon the readiness of the Canadian Parliament to fulfil this expectation.

They desire respectfully to remind that Parliament, that the facts connected with the arrangement, preparation, and issue of the *Grand Trunk* Prospectus

in London in *April 1853* are of a nature not to be lightly passed over by the Canadian Legislature in the consideration of the preceding Petition.

The Legislative Assembly is aware that every step connected with the proposition and issue of the Prospectus—every line and figure it contains—every descriptive title it sets forth—especially the descriptive title “*On behalf of the Canadian Government,*” appended to the first two of the London names—took its origin, not merely with a representative of Canada deputed specially to England; but with a member of the Legislative Council, and the second legal officer of the Canadian Ministry, who came to this country armed with plenary powers and instructions for the very purpose which was effected by means of the Document now in question.

The Legislative Assembly is also aware that the whole proceedings of this high functionary were fully canvassed and adopted in the Canadian Parliament, on his reappearance in his place therein.

The Committee therefore assert respectfully, but firmly, that by virtue of the language, tenor and publication of the Prospectus of 1853 the Bond and Shareholders have now a claim on the consideration of Canada, not so precisely legal as to be carried into the Courts which construe ordinary contracts, but a claim strong in its identity with those moral obligations of honesty and truth apart from which fair dealing becomes a fiction, and society a broken reed.

### III.

The Committee proceed to the *second* of the reasons already indicated, viz., the reasons founded on the Policy of Canada on the subject of Railways prior to 1853.

The Committee find that prior to the year 1849 a Public Debt of about £4,000,000 sterling had been incurred by Canada, mainly for the purposes of constructing Canals, and so improving the internal River and Lake communications of the Province as to secure for Canada a paramount share in the trade passing between Europe and the western and central portions of North America. In consequence of the extensive introduction of Railways into those portions of the United States contiguous to Canada it became perfectly manifest, about the years 1848-49, that the Canals, Rivers and Lakes of Canada, although perhaps the finest in the world, and although constructed and improved at immense cost to the Colony, would wholly fail, in the face of Railway speed and simplicity, to secure to Canada the expected advantages which through a series of years had rendered its population patient under the vast expenditure incurred. The Committee find that early in the year 1860 the Finance Minister responsible to the Canadian Parliament published in London a pamphlet, in which, in the following passage, at page 28, he thus supports and confirms the statement now made, viz.:—

“ Until the introduction of Railways it was confidently believed that the completion of the Canal system of Canada would secure to her a large share of the Western trade ; but not only did railways tend to *retain* the trade in existing channels ” (meaning American channels) “ but their immediate effect was to *divert from the St. Lawrence a large portion of the trade of Western Canada itself.* It became evident that the facilities thus afforded for rapid and uninterrupted intercourse with the Atlantic Cities would more than counterbalance the greater cheapness of the St. Lawrence during the season of navigation, *and that unless Canada could combine with her unrivalled Inland navigation a Railroad system connected therewith and mutually sustaining each other, the whole of her large outlay* ” (of, say

“ £4,000,000 sterling) “ *must for ever remain unproductive.*”

The Committee have to remind the Legislative Assembly, that, moved by the gravity of the crisis described in this passage of the recent publication of the Finance Minister, an Act was passed by the Canadian Parliament on the 30th May, 1849, entitled “ *An Act to provide for affording the Guarantee of the Province to the Bonds of Railway Companies on certain conditions, and for rendering assistance in the Construction of the Halifax and Quebec Railway ;*” the Preamble of which recites as follows, viz. :—

“ Whereas at the present day the means of rapid and easy communication by Railway between the chief centres of population and trade in any country, and the more remote parts thereof, are become not merely advantageous, but *essential* to its advancement and prosperity. And whereas experience has shewn that whatever be the case in long-settled populous and wealthy countries, in those which are new and thinly peopled, and in which capital is scarce, the assistance of Government is *necessary*, and may be safely afforded to the construction of lines of Railway of considerable extent, and that such assistance is best given by extending to companies engaged in constructing railways of a certain length, under Charter from and consequently with the approval of the Legislature, the benefit of the Guarantee of the Government under proper conditions and restrictions for loans raised by such companies to enable them to complete their works.”

The statute then empowers “the Governor in Council, *on behalf of the Province*, to guarantee the Interest of loans to be raised by any Company chartered by the Legislature of this Province for the construction of a line of Railway not less than 75 miles in extent

“ within this Province.” The rate of interest guaranteed to be six per cent. per annum upon an amount not exceeding *one-half* the *actual cost* of the Line; and the Province to have a first charge on the undertaking for the payments made by it under the guarantee.

The Committee find that under the encouragement afforded by this Act of *May* 1849, the Great Western Railway of Canada, the Northern Railway of Canada, and the St. Lawrence and Atlantic Railway (from Longueuil, (Montreal,) to the boundary of the State of Vermont at Island Pond) were commenced.

But the necessity for rapid progress in Railway construction in Canada became so great, and was admitted so generally by the people and Legislature of the Province, and especially by the Legislative Assembly, as representing in the most direct manner the wishes and intelligence of the people, that in little more than two years after the act of *May* 1849—namely, on the *30th August* 1851—the Committee find that an act was passed by the Canadian Parliament entitled—  
“ *An Act to make provision for the Construction of a*  
“ *Main Trunk Line of Railway throughout the Whole*  
“ *length of this Province.*” The Preamble of which recites as follows, viz. :—

“ Whereas it is of the *highest importance* to the  
“ progress and welfare of this Province that a *Main*  
“ *Trunk Line of Railway* should be made throughout  
“ the length thereof, and from the eastern frontier  
“ thereof through the provinces of New Brunswick and  
“ Nova Scotia to the city and port of Halifax; and  
“ it is therefore expedient that every effort should be  
“ made to ensure the construction of such Railway.”

The Act then provides that in order to assist in raising the needful funds for the early construction of

this Trunk Line the Province will, and does bind itself by statute not to increase its public debt, except for the purposes of railway guarantees under the Act of *May* 1849, without the consent of the agents through whom loans may have been negotiated in England, or the previous *bonâ fide* offer of the Province to pay off all its outstanding debts.

The Act also provides that in the event of an Imperial Guarantee being obtained for a loan to be raised by the Province to cover the *total cost* of a Main Trunk Line from opposite *Quebec* to *Hamilton* (say 540 miles) the entire work “should be made as a *Provincial work*, “and it shall be lawful for the Governor out of such “funds as aforesaid to pay all such sums as shall be “required to defray *all the expenses of making* such “Main Trunk Line of railway.”

In the event of an Imperial Guarantee not being obtained, the Act provides that to the extent of £4,000,000 currency (say £3,600,000 sterling) the funds necessary for the line from opposite *Quebec* to *Hamilton* shall be raised by funds, “of which *one half* “shall be raised on the credit of the Consolidated “Fund of the Province, provided the *other half* shall “have been subscribed for by the Municipal Corpora- “tions in this Province.” In other words, the *entire length* of the Trunk Line from *Quebec* to *Hamilton* of say 540 miles was authorized to be made by the central or local governments of the Province at a cost which might extend to say £6,600 sterling per mile, or say £3,600,000 sterling in the whole.

Adverting to these facts the Committee feel justified in forcibly reminding the Canadian Parliament that the Provincial Aid of £3,000 per mile extended by Canada to the Grand Trunk system of 1,110 miles, in the winter of 1852-3, was an arrangement in the highest degree favourable to

the Province as compared with the policy of the Act passed little more than twelve months previously (viz. on 30th Aug. 1851) under which the Canadian Parliament positively sanctioned a Provincial Debt of £3,600,000, equal to £6,600 per mile, for a Line to be made *wholly* by the Province, and a Line, moreover, which, compared with the comprehensive scheme of the *Grand Trunk*, was local, incomplete, and partial.

The Act of *August* 1851 prescribed *Six* per cent. per annum as the terms on which the Debt of £3,600,000 sterling might be contracted: in other words, the annual charge to the Province would have been £216,000 *per annum* for a Line of no more than 540 miles; and the Committee desire to point out that all the risks and delays and miscalculations incident to the completion of so large an enterprise would have had to be borne *solely* by the Province—risks, delays and miscalculations which have operated so powerfully to the damage and ruin of the Share and Bondholders. Making reasonable allowance for these contingencies the Committee believe that the Railway authorised by the Act of *August* 1851 could not have been completed and opened at a smaller cost to the Province than £5,000,000 sterling or equal to £9,200 per mile, and representing a charge of at least £300,000 *per annum*.

Applying similar data to the case of the 1,112 miles of the *Grand Trunk system*, the policy of the Canadian Act of *August* 1851 could not have been accomplished *at a less charge to the Province* (even when all accumulations of interest during construction are omitted,) than say £11,000,000 sterling, or £660,000 *per annum*.

Against this formidable result the Province of Canada, by means of the funds contributed by the Share and Bondholders, has obtained all the advantages of the entire *Grand Trunk system* at a charge of not more than £3,111,500, or £187,000 *per annum*; and

from these amounts there are important deductions to be made, as the Committee will presently prove.

Considering calmly the whole of the facts herein recited connected with the policy as regards Railways pursued by the Canadian Parliament for several years prior to 1853, the Committee confidently, but respectfully, submit that the two following inferences are plain and unimpeachable, viz :—

- (1.) That by a series of Acts between the years 1848 and 1853 the Canadian Parliament sought by liberal guarantees in various forms to stimulate and hasten the construction of Railways in Canada, as the only effectual means whereby the Province could retain its share of the Western Trade and prevent its £4,000,000 of expenditure on Canals from becoming almost wholly unproductive.
- (2.) That within little more than twelve months prior to the issue of the *Grand Trunk* scheme for 1,112 miles and the Victoria Bridge, the Canadian Legislature, by the Act of *August* 1851, authorised a direct Provincial debt at the rate of £6,600 *per mile* for a direct Provincial work of 540 miles of Line, while the total public contribution to the *Grand Trunk* has been no more than £3,000 *per mile* for 1,112 miles of Line including the Victoria Bridge: that is to say, the Province obtained by means of the *Grand Trunk Company* at the end of 1852, for *less than half* the mileage-contribution to which it bound itself at the end of 1851, a system of railways extending to *more than twice* the length of the Local Line, for which in 1851 it was ready to pay *double* the mileage price.

IV.

Under the *third* head, viz., the apportionment of nearly two-thirds of the Total Aid granted by the Province to Lines useful to Canada as public works, but burdensome as investments, the Committee have to state as follows:—

The mileage composing the *Grand Trunk system* arranges itself obviously into four divisions, viz. :—

- (1.) The *Western Division* of 249 miles from *Detroit* to *Toronto*, *viâ* *Sarnia*, *Stratford* and *London*.
- (2.) The *Central Division* of 333 miles from *Toronto* to *Montreal*.
- (3.) The *Eastern Division*, extending to 358 miles, and composed of—(a) 118 miles from *Quebec* to *Rivière du Loup* (on the route to *Halifax*)—(b) 96 miles from *Quebec* to the Junction with the Main Line at *Richmond*—(c) 142 miles from *Longueuil* (*Montreal*) to the frontier at *Island Pond*—(formerly the “*St. Lawrence and Atlantic*” Line); and the *Victoria Bridge* of 2 miles.
- (4.) The *Portland Division* of 150 miles, from the American frontier at *Island Pond* to the City of *Portland*, constitutes the “*Atlantic and St. Lawrence*” Line, now under lease to the *Grand Trunk*.

Besides these main divisions there are 30 miles in the *Three Rivers and Arthabaska Branch*.

These 30 miles of Branch Lines, and nearly the whole of the 358 miles of the *Eastern Division*, are by general consent admitted to be Lines of Railway of

great value and importance to the districts immediately around them, and also of great value and importance to the Province generally in its future plans of railway extension; but with equal unanimity they are at the same time admitted to be Lines which, for several years to come, must be worked either at a positive loss, or upon terms which will not yield any profit upon the capital expended in their construction.

This description applies in the most unqualified manner to the 148 miles composed of the Line from Rivière du Loup to Quebec, and the Arthabaska Branch; and it applies also to some extent to the 96 miles from Richmond to Quebec.

It may be said, indeed, in general terms, that as regards the 214 miles *East of Richmond*, and as regards the *Branches*, the *Grand Trunk Company* has become charged with the burden of constructing, maintaining, and working lines of railway, not for the benefit of the Share and Bondholders, but *wholly* for the present and future benefit of particular portions of Canada.

The Committee frankly acknowledge that the construction of these Eastern and Branch Lines were conditions to which the *Grand Trunk Company* assented, and were obligations which it was bound to fulfil; and which, as the Canadian Parliament well knows, it has faithfully and punctually fulfilled.

The Committee also frankly acknowledge that it was in the expectation that the abundant traffic on the *Western, Central, and Portland Divisions* would fully compensate for the scanty traffic on the *Eastern and Branches Divisions*, that the Share and Bondholders were induced to embark in so vast a scheme as the completion of 1,120 miles of Railway, including a Tubular Bridge two miles in length.

In consequence of War, Financial Distress and Bad

Harvests, calculations apparently the most reasonable have proved to be deceptive; and hence the present difficulties of the Bond and Shareholders.

But the Committee suggest with confidence to the Canadian Parliament and the Canadian People, that the grounds of the appeal now made are greatly extended and strengthened, when it is shown that out of the Total Aid of £3,111,500 sterling accorded by the Province, very nearly *two-thirds* has been expended on works valuable to Canada, but burdensome and unprofitable in the highest degree to the Company.

The sums expended on the Line from *Quebec to Rivière du Loup* amount at the present time to not less than £1,000,000 of sterling money.

The sums similarly expended on the *Arthabaska and Prescott Branches* amount to not less than £225,000 of sterling money.

The sums expended on the *Quebec and Richmond Line* amount to £767,500 of sterling money.

Of this total of nearly Two Millions sterling the Committee believe that they are fully justified in regarding the whole as capital upon which no dividend will be earned for several years to come.

The Committee have also to state that although the Lines now under reference are commercially unprofitable, they are lines, nevertheless, to the early construction of which the Canadian Parliament has directed urgent attention for many years. In the Act of 30th August 1851 the two Houses of Assembly concurred in describing the Line from Quebec towards the Eastern Frontier "as of the highest importance to the progress and welfare of Canada;" and in the Act of 1st July 1856, which has postponed the claim of the Province in favour of the

Two Millions sterling of First Preference Bonds, the Canadian Legislature expressly stipulated that not less than £750,000 of the amount raised by these Bonds should be expended upon the Rivière du Loup Line and upon the Arthabaska and Prescott Branches.

The Committee therefore represent with confidence that the statement commonly made, to the effect that the Province has contributed £3,111,500, or £3,000 per mile, to the cost of the Grand Trunk Railway and the Victoria Bridge, is a statement which the facts of the case require to be accompanied with most important qualifications. Of this amount of Total Aid *as much as* £2,000,000, as the Committee have shewn, is in truth an expenditure upon *non-productive public works in Canada*, and *no more* than the remaining sum of £1,111,500, equal to £1,800 per mile on 664 miles, or say *one-seventh* of the actual cost, represents the contribution of the Province to the Commercial portions of the undertaking.

## V.

The Committee represent as follows under the *fourth* group of reasons; viz. those relating to the Obligations of Aid admitted by the Province in the course of the discussions of late years.

In the early part of the year 1856, the difficulties arising out of the failure of parties in Canada to subscribe for the portion of Share and Debenture capital specially described in the Original Prospectus, the continuance of the Russian War, and the pressure of Financial distress in England and Canada, compelled the authorities of the *Grand Trunk Company* to apply to the Provincial Government for some measure of relief in the further prosecution of the vast works then remaining under contract.

A Memorial dated at Toronto on the 13th March

1856, and signed on behalf of the Company by Benjamin Holmes, *Vice-President*, and George Crawford and James Beaty, *Directors*, was addressed to Sir Edmund Head, at that time as at present the Governor-General of the Province.

That Memorial contained full and precise statements of the origin and then condition of the Company, and it also expressed the views of the Company relative to the nature of the claim which they believed themselves to possess on the consideration of the Legislature and the People and Government of Canada.

Touching the origin of the *Grand Trunk* scheme, and the meaning attached in England to the Prospectus of *April* 1853, the Memorial contained the following passage, viz. :—

“ Under the authority of the Provincial Parliament, “ the amalgamation,”—in 1852-3, of the Lines constituting the *Grand Trunk* scheme,—“ was consummated ; and with the *express sanction and approval* “ of the Provincial Government then holding office, “ and through the co-operation of their London financial “ representatives the British public were invited to “ take part in the scheme ; which was *represented in* “ *the Prospectus published at the time, and truly so,* “ as pregnant with the most beneficial consequences “ to the Province, as well as affording a desirable “ investment to those who in England were thus induced to subscribe to the undertaking.”

“ In this Prospectus the *Premier* and several of the “ principal officers of the *Provincial Executive* appear “ as Directors, and a member of the Colonial Government is published as the President, while the co-operation and consent of the Legislature and Canadian “ people generally” was described as clearly attested by the fact of funds and subscriptions *in Canada*, exceeding two millions sterling and, over and above, the

Government aid, being forthcoming for the support of the enterprise.

“ Your Memorialists consider it to be of great importance for the fair and equitable consideration of their case that it should be clearly and distinctly understood that the Province of Canada—not merely through its Legislature, *but by the direct intervention of its supreme Executive Officers—assumed a very large share of responsibility* towards the individuals who embarked their private means in the *Grand Trunk Railway.*”

It cannot fail to be observed that the language thus quoted from the Memorial of *13th March 1856* is in substance precisely identical with the language employed in former parts of this Statement when referring to the Prospectus of 1853.

The Committee, therefore, have not adopted in this Statement any new language, or put forward any new claims in connexion with this part of their case.

The language and claims they now employ and put forward have been employed and put forward on all proper and fitting occasions, from the origin of the Company.

Moved by the representations of the Memorial of *13th March 1856*, the Canadian Parliament passed the Act of *1st July 1856*, under which a creation of Two millions of Preference Bonds was authorised.

But instigated by, and founded and framed as was that Act upon the facts, recitals and arguments contained in the Grand Trunk Memorial, the Committee have to direct special attention to the circumstance that neither in the Preamble nor in any clause of the Act is there to be discovered the faintest trace of demur or denial as regards the grounds of claim officially and solemnly, and publicly, asserted in the Memorial.

The Preamble of the Act recites merely that "it is expedient to grant further aid to the Grand Trunk Railway Company of Canada."

It is true that neither in 1856 nor at this present time is it contended that the *Grand Trunk Company* has a claim on Canada legally and technically enforceable in the ordinary Courts of Law; but in 1856, as emphatically as at present, it was and is represented and proclaimed that the Share and Bondholders have a moral claim on the Province of the strongest and plainest character; and the Relief Act of 1856 contains no indication whatever that the Canadian Legislature did not fully admit the valid and binding nature of the obligation so proclaimed and asserted.

The great and manifold disasters and difficulties encountered by the *Grand Trunk Company* compelled the authorities thereof again to apply to the Canadian Government for aid, in a Memorial dated at Toronto on the 20th *March* 1857, and signed on behalf of the Company by the Honourable John Ross, *President*, and Edmund Hornby, *Director*.

The statements of that Memorial rested on the same basis as those of the Memorial of 13th *March* 1856, and continued the narrative of the difficulties and proceedings of the Company to the commencement of the year 1857.

Influenced by the statements of this Memorial the Executive Government introduced into the Legislative Assembly a Bill for granting further relief to the *Grand Trunk Company*; and on the 28th *April* 1857 the Honourable William Cayley, holding office in the Cabinet as Inspector-General, presented to the Parliament a Minute on the Grand Trunk Relief Bill, strongly supporting the claim of the Company in its application for aid; and in this Minute the

Committee find the following passage declaratory of Mr. Cayley's views, as a Cabinet Minister, of the obligations imposed upon the Government and Legislature and People of Canada by the Prospectus of 1853, viz. :—

“ It has been said that English capitalists, in embarking their money in this enterprise, voluntarily ran the usual hazard of gain and loss, and that the engagements of the Province are clearly defined and limited by Parliamentary enactment. This is strictly true.

“ Yet no one can read the *Prospectus* which introduced this scheme to the *English public*, or turn to the *Report of Lord Elgin pointedly referred to in it*, written in his most powerful style, and describing in glowing terms the prospects of Canada, or recall the manner in which the *Government of that day placed the enterprise before the world*, without feeling that representations emanating from such high authority gave a character to this gigantic scheme which took it out of the category of ordinary speculations. . . . This was and is a noble enterprise, intimately blended with the hopes of Canada, to grow with our growth and strengthen with our strength, destined to achieve success with our assured prosperity, or to decline with our failing fortunes.”

With this written declaration of a Cabinet Minister on its table, the Legislative Assembly on the 4th May 1857 appointed a “Special Committee” of nine members to inquire and report concerning the whole subject of the *Grand Trunk Company*, and its condition and prospects. Of this Committee the Attorney-General and Solicitor-General were members, and it proceeded at once with great diligence to prosecute the inquiry referred to it.

On the 27th May 1857, without waiting for any

report from the "Special Committee," the Assembly concurred in the Canadian Act under which the Province postponed its claim for the £3,111,500 until the ordinary shares of the Company shall receive a six per cent. dividend; and in this Act, as in the former Act of *1st July* 1856, there is no indication whatever that the Legislature did not admit the full force of the doctrine repeated and enforced in the quotation just given from the Minute of the Inspector-General.

The Committee, therefore, full of anxiety to clothe their representations in language which shall faithfully reflect the respect they entertain for the Canadian Legislature, venture nevertheless to declare, in terms as distinct and positive as may be consistent with due regard for the dignity of that Legislature, that when they put forward, as they now do by means of this Statement, a claim founded on moral obligations incurred by the Province and Legislature of Canada eight years ago, they are not advancing any new claim, nor asserting any new doctrine, but confining themselves in the strictest sense to allegations which have been perfectly familiar to the Canadian Parliament for a long period of years—which have been officially conveyed to that Parliament by repeated memorials and petitions—which have been adopted and stated in writing by Canadian Cabinet Ministers—that they are confining themselves to allegations which have been open to the investigation of numerous committees of either branch of the Canadian Legislature—and to allegations which in effect and substance have been adopted by that Legislature as the groundwork of the relief which, in its wisdom, and moved by its sense of justice, it has on two occasions extended to the *Grand Trunk Company*.

## VI.

The Committee submit the following statements

relative to the Benefits which the *Grand Trunk Railway* has conferred on Canada.

The works of the *Grand Trunk* were commenced in the summer of the year 1853, and the *Victoria Bridge* was opened for traffic in *November 1859*. In little more than six years, therefore, the *Grand Trunk Company* added 1,120 miles of railway, constructed in the best manner, to the extent of railway communication otherwise provided in the Province. But the total extent of those other railways, viz., the "Great Western" (357 miles), the "Northern" (95 miles), the "Buffalo and Lake Huron" (159 miles), and other minor and local lines (370 miles), amounts to no more than 981 miles. The construction of these 981 miles has extended over a period nearly twice as long as the time occupied by the works of the *Grand Trunk*; and as regards the Great Western and Northern Companies, the commencement of the construction of the 452 miles under their control was accomplished only, as the Committee have already shewn, by means of the Provincial Guarantee of 6 per cent., on half the *actual* cost as provided by the Act of 31st *May 1849*.

The Mileage, therefore, secured to the Province by the intervention of the *Grand Trunk* exceeds by *one-eighth* the total mileage secured to the Province by proposals and encouragements of every other kind.

But not only has the *Grand Trunk Company* more than doubled the railway mileage of the Province in little more than six years, but it has conferred upon Canada, by means of the *Victoria Bridge*, a public benefit, a source of strength, and a security for rapid future progress, to which no parallel can be found, not merely in North or South America, but in no territory or dependency subject to the British Crown.

The barrier of the St. Lawrence was the one great flaw in the adaptability of Canada to become ultimately a great highway between the Atlantic Ocean and the regions of Western America, and the Colonies rapidly rising into nations on the shores of the Pacific.

So long as a River, among the largest in the world—extending to a breadth to be measured only by miles—deep, rapid, dangerous and difficult—and for six months of the year more or less closed to navigation, and forbidding any but uncertain and tardy communication between its shores—divided the Western route into two wholly unconnected parts, Canada had no means of escape from a discouraging and tantalising geographical dilemma. Neither a line to Halifax: nor the improvement of the St. Lawrence below Montreal: nor the extension of Canals: nor the development of Lake navigation: would have diminished in the smallest degree the impediments to Western transit occasioned by the grievous difficulties of the Ferry at Montreal. ✓

The opening of the *Victoria Bridge* has swept away these impediments for ever.

For all time to come, the structure designed by Robert Stephenson, and reared and opened at the cost of the Share and Bondholders of the *Grand Trunk Company*, has secured for Canada the complete command of those very geographical advantages, which, with the St. Lawrence *unbridged*, were physically unattainable.

Towards the expenditure of £1,400,000 upon the *Victoria Bridge*, Canada has contributed no obligation: but it has become possessed of an engineering work which has added incalculably to the geographical advantages of the Province; has conferred dignity and honour on the colonial name; and by one swift and decisive stroke carried through the whole length

of Canadian Territory that very Western Trade, the pursuit of which has been, for a hundred years, the most fixed purpose of the Canadian people.

The Committee would ask the Canadian Parliament whether this be such a result as is consistent with the policy and self-respect of an independent and aspiring people.

The Committee do not permit themselves to suppose that the Legislative Assembly, or the Constituents whom it represents, are in the smallest danger of permitting a state of things to continue under which it may be affirmed with truth and reason that Canada had left to strangers the task of encountering and overcoming the great natural barriers to its progress; and had, moreover, permitted those strangers, although fellow-subjects of the same Crown, to appeal in vain for some help under the embarrassments and ruin brought upon them by an enterprise so arduous and difficult, carried to its completion in the midst of disastrous and perplexing times.

But not only have the immediate effects of the Victoria Bridge upon the general resources of Canada been most palpable, but its immediate effects in producing additions to the Public Revenue have been great and undeniable. In the past year 1860—the very first year of the opening of the Bridge—there has been an increase in the receipts for Postage by the Montreal Line of steamers amounting, the Committee believe, to nearly £30,000; and while some part of that large increase must be ascribed to extended facilities afforded by the steamers themselves, it is, nevertheless, incontestible, that to the complete avoidance, at all seasons, by means of the *Victoria Bridge*, of the serious delays and mischiefs of the crossing of the Montreal River, is to be exclusively attributed a very large part of the additions already made to the Postal Revenue of the Province—additions as yet only in their commencement; for with

every extension of settlement and population in Western America the transit of mails through Canada must become more and more important and profitable.

But it is not merely by the erection of the Victoria Bridge that the Grand Trunk Railway has benefited Canada.

The Committee affirm, without fear of gainsay, that there is not a homestead or hamlet within any reasonable distance of the 125 Stations of the Grand Trunk—there is not a yard of territory along its entire length of 1,120 miles—which has not had conferred upon it by means of the Railway increase of positive market value or increase of comfort and convenience.

The Committee affirm that as a direct and immediate result of the Railway an additional market value of not less than 20 or 30 per cent. has been conferred upon the Grain and other Crops of the Western portions of the Province.

The Canadian Parliament declared by the statute of 30th May 1849, that “at the present day rapid and “easy communication by means of Railway between “the chief centres of population and trade in any “country, and especially any *new country*, are become “not merely advantages, but *essential to its advancement and prosperity.*”

The Share and Bondholders have conferred upon Canada, by means of their system of Lines, this “rapid and easy Railway communication” to an extent which far exceeds all the other Railway lines of the Province put together.

The beneficial effects on Canada are proclaimed by all observers, and are already employed by Canadian statesmen as accomplished results on which to found Financial Plans for relieving the exchequer and improving the credit of the Province.

The Committee find that notwithstanding the disastrous effects of the three bad harvests of 1857-58-59, the imports into Canada between the years 1850 and 1859 had doubled in value; that is to say, had risen from £4,245,517 in 1850, to £6,574,128 in 1859, (the returns for the latter year only embracing a period of nine months, or to 30th September 1859).

In Canada the Revenue derived from Customs duties on Imports constitutes about 80 per cent. of the total public revenue of the Province. There are in Canada no Excise or Stamp duties. The progress of the Customs Revenue, therefore, is a fair and probably the best index of the growth of the resources of the Colony.

The Committee find that between the same years 1850 and 1859, notwithstanding bad harvests and financial distress, the Customs revenues of Canada had increased by more than one-half; that is to say, from £615,694 in 1850 to £888,946 in nine months of 1859.

The Committee are not yet in possession of the Revenue accounts for the last year, 1860, but they believe they are fully justified in asserting that the Customs duties of that year will exhibit a very large increase over the corresponding figures of 1859.

The Committee are aware that in *August* 1858 and *March* 1859 it was found necessary by the Canadian Parliament, in order to raise about £100,000 additional revenue, required to meet the obligations of the Province, mainly incurred for expenditure on Canals, nearly all income from which had been destroyed by American competition, to impose some additions to the previous rates of Custom duties.

Among the obligations thus pressing upon Canada

were the debts, amounting to about £2,000,000, or say £120,000 *per annum* contracted by *Municipal Corporations* in Canada for the cost of local works and improvements.

The Government of Canada were in no legal form answerable for the principal or interest of these Municipal debts. But the Legislative Assembly, taking a large, and, as the Committee believe and admit, a wise and honourable view of the obligations virtually and morally incurred by the Province to the creditors of the Local bodies, charged itself with the burden of providing for these Municipal debts.

In order to increase the additional revenue necessary for the public wants, the Legislative Assembly raised the Custom duties; and many exaggerated and malicious statements have been industriously circulated to the effect, that the additional indirect taxation thus imposed in Canada was excessive, unjustifiable, and impolitic, and a source of great loss and suffering to the Province.

The Committee have enquired into these allegations, and they find that according to the public testimony of the highest official authority on the question, namely, the Finance Minister in 1858 and 1859, then, as at present, holding a seat in and responsible to the Canadian Parliament, the statements referred to are wholly unjustifiable.

The Committee will render this conclusion apparent by the following extracts from the pamphlet of the Canadian Finance Minister, published in London early in 1860,\* and intended as a preparative for the financial projects shortly afterwards introduced by Canada into the English market.

Speaking of the Customs Act of *March* 1859, the

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\* "Canada in 1849 and 1859," by the Hon. A. T. Galt, Finance Minister of the Province. London, 1860. Hardwicke, Piccadilly. 1s.

Finance Minister at page 44 says :—“ It was believed  
 “ that the completion of our canal and railroad systems,  
 “ together with the improvements in the navigation of  
 “ the Lower St. Lawrence, justified the expectation that  
 “ the supply of Canadian wants might be once more  
 “ made by sea, and the benefit of this commerce obtained  
 “ for our merchants and forwarders. Under this con-  
 “ viction, it was determined by Government to apply  
 “ the principle of *ad valorem* duties (which already  
 “ extended to manufactured goods) to the remaining  
 “ articles of our tariff. The principal articles on which  
 “ it was proposed to obtain additional revenue were,  
 “ cotton goods to be raised from 15 to 20 per cent., and  
 “ iron, steel, &c., from 5 to 10 per cent. This was the  
 “ *whole extent* of increased taxation, and it was ex-  
 “ pected to yield £100,000 additional revenue.”

Speaking of the general character and results of the  
 present Canadian Customs Legislation, the Finance  
 Minister at page 48 states as follows :—“ The Customs  
 “ duties in Canada are imposed in the manner least  
 “ calculated to disturb the free exchange of Canadian  
 “ labour with that of other countries. A large class  
 “ of articles termed *raw materials* are admitted *free*,  
 “ and they amount to 29 *per cent* of the total imports ;  
 “ and the large class, consisting of *Iron, Steel, Metals*  
 “ and articles entering into the construction of Rail-  
 “ ways, Houses, Ships and Agricultural Implements,  
 “ &c., are admitted at 10 per cent. duty : Leather  
 “ and partially manufactured goods pay 15 per cent.  
 “ duty : *Manufactured Goods* made from raw ma-  
 “ terials or from articles paying 10 per cent. duty are  
 “ admitted at 20 per cent. duty.

“ Manufactured Goods made from articles paying  
 “ 15 per cent. duty are charged 25 per cent—but this  
 “ is exceptional and very limited : Luxuries, comprising  
 “ Wines, Tobacco, Cigars, Spices, &c., are charged at  
 “ rates varying from 30 to 40 per cent.—*the bulk* are  
 “ at 30 per cent. duty : *Spirits* are charged 100 per

“cent. : *Tea, Sugar and Molasses* pay 15 and 30 per cent.”

It is then shewn at page 49 that under the present Canadian Tariff *Free Goods* amount to 29 per cent. of the total imports; and that goods paying rates, none of them exceeding 20 per cent. duty, amount to say 60 per cent. of the total imports: leaving, therefore, no more than say 10 *per cent.* of the total imports as subject to duties of more than 20 per cent.

Comparing the present with former systems of Customs' duties in Canada, the Finance Minister at page 46 says: “The rate of duty levied under the “present Tariff of 1859, *covering the cost of all our Canal and Railway expenditure*, is only 13½ per cent.; “while in the period from 1841 to 1848, when the “Province had neither Canals nor Railways, it was 10¼ “per cent: and from 1849 to 1854, when it had only “Canals but not Railways, it was 13¼ per cent. \* \* “Shewing, therefore, that any increase of duty is quite “indemnified by the decreased cost at which our Canals, “Railways and Steam Ships enable goods to be now “delivered throughout the Province.”

It is perfectly apparent from these statements that there is no foundation whatever for the hasty complaints against the Canadian Parliament to the effect that they have imposed upon Canada an excessive or unwise Tariff; and still less that they have adopted a Customs legislation which is not in most perfect accordance with the advanced intelligence of the age.

The Committee sincerely congratulate the Legislature of the Province in having so admirably succeeded in equalizing the income and expenditure under its care by additions so small and trifling to the taxation of the colony—additions, moreover, fully neutralized to its constituents by the benefits and facilities of improved railway and canal transit; for the Committee must remind the people of Canada that within the last two

years all Tolls whatever have been removed from the Canals of the Province; adding thereby to the benefit of Canada, but greatly increasing the competition to be sustained by the *Grand Trunk Company*.

When, however, the Legislative Assembly can refer with pride, as it well may, to the Revenue Returns of the past year 1860, and show by these returns that the Tariff of 1859 has been perfectly successful as a measure of finance; that its wisdom is fully proved by the fiscal result of larger revenue flowing from larger duties, indicating thereby that no hardship or damage to legitimate trade has ensued; and when the Assembly can show that for the year 1860 there will be a *Surplus Revenue* in favour of the Province of not less than the very considerable sum of say £150,000, the Members of that distinguished body may look forward with satisfaction and confidence to the verdict which will be pronounced upon their proceedings and policy by the people of Canada.

But while the Committee thus refer to the success of the policy pursued by Canada relative to its Customs Legislation, the Committee crave permission to remind the Canadian Parliament of certain considerations in support of the appeal now made, of a nature so obvious as to require for their enforcement only the simplest statement.

The Committee have shewn in former parts of this Statement that the amount of Provincial Aid really and actually contributed towards the cost of the Commercial parts of the *Grand Trunk Scheme*, the length of which may be stated at 664 miles, does not exceed £1,111,500, or equal to no more than £1,800 *per mile*.

But in compensation for and in direct diminution of this subvention of public money, the Share and Bondholders have paid, year by year, for nearly seven

years, to the Provincial Exchequer the ordinary rates of Customs duties on all the materials imported into Canada for the purposes of the Railway, and subject to the Tariff; and all the Commodities consumed by the vast numbers of artisans, labourers, and other persons employed by the Railway and produced by countries and places beyond the limits of Canada. The property of the Share and Bondholders has also contributed year by year an inevitably increasing amount to the funds of the numerous towns, municipalities and places into which it has been carried. In the years 1853, 1854 and 1855 the Company also paid about £200,000 as interest on the Government bonds issued in aid of the undertaking.

The total amount expended upon the Railway to this time has been about Fifteen Millions sterling; and when all reasonable deductions have been made from that sum for money paid for land, for interest paid in England on debentures, and for materials and commodities the produce of Canada, the Committee believe and affirm that the direct money receipts of the Canadian Exchequer solely arising from the expenditure in Canada of the Share and Bondholders' money, or of money raised in the United Kingdom for purposes of the *Grand Trunk Railway*, amount to a sum equal to or exceeding the whole amount of about One Million sterling of Aid contributed by the Province to the commercial portions of the enterprise.

As the general result, therefore, of the facts and statements brought forward by the Committee, it may be affirmed as a conclusion, resting on solid grounds, that at least 664 miles of the *Grand Trunk Railway System*, including the *Victoria Bridge*, have in reality and truth been conferred by the Share and Bondholders upon Canada, *unaided* by the contribution of a single dollar from the intrinsic and internal resources of the Province.

The Committee are entitled forcibly, but respect-

fully, to remind the Canadian Parliament that between this highly favourable result as regards Canada, and the results found to prevail in other important dependencies of the British Crown, and in Foreign Countries of the first class, in connexion with the creation within them of extensive Lines of Railway communication, the contrast is of the most striking and fundamental character.

Commencing at a date long prior to the formation of the *Grand Trunk Company*, and extending to the present time, the *Government of India* have eagerly sought to attract British investments to the Three Presidencies for purposes of railway enterprise, in return for a Government Guarantee of 5 per cent. per annum, not on the *estimated* but virtually on the *actual* cost of constructing the Lines; and of the vital difference between a guarantee applying to the *actual* and not to the merely *estimated* cost of a Colonial Railway, the present embarrassments and sufferings of the Share and Bondholders are an evidence and a warning open to all the world.

The *Colony of Ceylon* has pursued a similar policy.

So also has the *Colony of the Cape of Good Hope*, but extending the rate of guaranteed interest to 6 per cent. per annum.

In the case of the Australian Colonies of *New South Wales and Victoria*, the Legislatures of those Colonies have charged themselves with the entire burden of constructing the Main Trunk Lines of Railway, and for this purpose have become direct borrowers in the English market at rates of interest for long periods of years practically equivalent to 6 per cent. per annum.

The *Empire of Brazil*, enjoying a deserving and high degree of financial credit, has sought the aid of English capital in return for Imperial guarantees of

not less than 7 per cent. per annum on the actual cost.

The intervention of the *Grand Trunk Company* at a critical moment—an intervention most opportune and happy for Canada—has delivered the Province from the necessity of adopting the terms and conditions which these cited examples prove to be no more than a fair expression of the value of English capital during the last ten years, when applied to railway purposes in colonies and foreign countries enjoying the highest reputation and credit. The Committee venture to assert, therefore, that at least as regards the benefits—great, manifold, immediate and future—conferred upon Canada by the *Grand Trunk Company*, there is not room for any difference of opinion whatever.

## VII.

Finally, under the *sixth* head of reasons relating to considerations of General Policy touching the future progress of Canada and inseparable from the financial credit of the *Grand Trunk Company*, the Committee have to state as follows:—

They have adduced evidence in this Statement:—

of the faithful performance by the Share and Bondholders of the task they undertook, eight years ago, for the construction and opening in Canada of a system of Trunk Railways extending to upwards of 1,100 miles:—

of the completion of these railways, not as mere temporary roads, but in a solid, scientific and durable manner:—

of the construction at Montreal, across the St. Lawrence, of a Bridge nearly two miles in length,

which has procured for Canada the command of the Western trade, and has rendered necessary achievements of engineering skill hitherto unattempted:—

of the perseverance by the Share and Bondholders in the accomplishment of these vast and onerous enterprises in the face of discouragements and difficulties continued and formidable:—

of the embarrassments and losses sustained by the Share and Bondholders almost from the commencement of the Railway by reason of War, Pestilence, Financial discredit, bad Harvests and deficient Traffic:—and by reason of the failure of parties in *Canada* to contribute the amount of capital, in reliance on which the Share and Bondholders became investors in the Province:—

of the confusion, dismay and ruin which at this time overwhelm the Petitioners by reason of the sacrifices to which they have submitted in order to fulfil towards Canada the obligations undertaken by the *Grand Trunk Railway Company*.

The Committee have shown in this Statement that the parties they represent are now applicants for relief only because the enterprise which has brought wealth to Canada has brought exhaustion and bankruptcy to them.

The Committee have shown further in this Statement:—

that the Share and Bondholders and the public of the United Kingdom attached to the original Prospectus of 1853 the meaning which it obviously and plainly bears, viz., that the Government of Canada were if not legally yet morally bound by the statements and calculations it set forth, and were joint Partners with the Company in carrying to a suc-

cessful issue the great Colonial work of a system of Railway transit:—

that relying on the good faith of this association with them of the Government of Canada, the Share and Bondholders and the British public were induced to become interested as investors in the *Grand Trunk Railway*—

that in substance and effect this moral claim attaching to Canada has been already and long since virtually admitted by the Canadian Parliament :—

that, as a matter of actual fact, and taking a comprehensive view of the circumstances, the *Grand Trunk Company* has contributed as much money to the Canadian Exchequer as it has received out of it.

that the beneficial effects of the *Victoria Bridge*, upon the trade and wealth of Canada, in securing for the Line of the St. Lawrence the expanding Western trade, are as incalculable as they are notorious and plain :—

that the beneficial effects to Canada throughout the entire compass thereof of the completion of the *Grand Trunk System* are likewise declared by every competent person both within and without the Province.

The Committee have further shown in this Statement--

that the system of Customs Legislation, as revised by the Canadian Legislature in 1858 and 1859, is moderate in the rates of duty assessed, and does not impose any hardship or hindrance to the trade of the Province:—

that for the last year, 1860, the Legislative Assembly will be able to report to their constituents a surplus revenue of not less than say £150,000 sterling—

and that, founded upon the growing wealth and revenue of the Province, the Canadian Government

have successfully commenced negotiations in the English money market for reducing by as much as one per cent. per annum the rate of interest on the Public Debt of Canada.

The Committee have further shewn—

that by the fortunate and timely intervention of the *Grand Trunk Company*, Canada has been exempted from the necessity of giving effect to the onerous conditions of the Provincial Acts of 1849 and 1851, passed for the purpose of encouraging the construction of railways by means of British capital—

and that, referring to the examples of India, Ceylon, the Cape, Australia and Brazil, it may be affirmed that if, for a Government Guarantee of six per cent. per annum on a capital of, say, *sixteen millions sterling*—that is, for a yearly charge of nearly *One Million sterling per annum*—Canada had become possessed of the *Grand Trunk System* and the *Victoria Bridge*, the formidable obligation so incurred by the Province would have been fully as favourable to it as the corresponding obligations incurred by the colonies and countries herein cited.

The Committee rely with full faith and confidence upon the readiness of the Legislature and the People of Canada to take into early and generous consideration these representations on the part of the Share and Bondholders, with the intention of affording speedy and effectual relief.

The Committee have declared plainly and frankly the necessities which compel, and the circumstances which justify, the parties they represent to appeal to the Canadian Parliament.

They desire to rest their claims and their hopes on the events of the Past, and to refer only to the Future as containing within it large rewards for the efforts

which have been made by the *Grand Trunk Company* for the advancement of the Province.

But the Committee would fail in their duty to the people of Canada if they omitted to declare that the condition of the *Grand Trunk Company* during the next few years, and the removal or continuance of its present difficulties and embarrassments, do and will exercise a direct influence on the credit and reputation of the Province. Canada is only on the threshold in her great career. She has done no more than mark out in faint lines the paths of her advancement. The progress she has made will be useful only as the preparative of progress yet uncommenced, and, at present, unforeseen. But a New Country, occupying a territory of large extent, and contending in open rivalry with contiguous foreign states—populous, long-settled, wealthy and enterprising—must be a constant applicant for the financial aid which can alone be found in the capital and credit of the United Kingdom.

But, as applicants for a rapidly increasing share of that capital and credit, there have grown up, even within a few years, a long list of competitors. India, Australia, the Cape, Ceylon, New Zealand, and the West Indies, are already familiar as borrowers in the English market. Brazil, Egypt, Denmark, Asia Minor, Portugal—and notably the United States—are large absorbers of British capital for purposes of public works.

In nearly every one of these instances it is the Government of the colony or country which takes upon itself a guarantee extending wholly or nearly to the entire principal and interest of the loans required.

The Committee respectfully suggest, that it is plainly incumbent upon the Legislature and the People of Canada to deliberate carefully on the nature of the results certain to ensue from the increas-

ing confusion and the disheartening failure of the *Grand Trunk Company*.

The Canadian Government—and, still more, all private Canadian enterprises—would appear in the English market as the vendors of tainted securities.

The quick instincts of the public mind in England will be wholly uninfluenced by qualifications founded on narrow rules of legal interpretation. It will be seen to be incontestible that Fifteen Millions of English money have been spent under the sanction and guidance of the Provincial Government in conferring a magnificent series of public works upon Canada, and that the Bond and Shareholders in the undertaking have met only with disappointment, humiliation, and ruin.

The Committee rely with full confidence upon the wisdom of the Canadian Parliament to avert from the Province the possibility of disasters which would obscure so fatally the prospects now before it.

But the Committee again repeat, they desire only to contemplate the Future as bringing with it a rich recompense for the toils and hazards of past years and the present time.

The *Grand Trunk Railway* is not an ordinary case of private speculation: its magnitude, its design, and its origin, are all inconsistent with so imperfect and narrow a view of the large policy of which the undertaking is the offspring and consequence.

At a moment critical for Canada, her leading statesmen and citizens sought and obtained the attention of the British public in favour of accomplishing in Canada the construction of a system of railways which should carry the Province into the foremost rank of even the progressive communities of North America.

Early in 1853, when the *Grand Trunk Company* was formed, there prevailed throughout the commercial classes and the general public on both sides of the Atlantic a state of feeling to which it would be difficult to find a parallel within any recent times. Peace was supposed to be so permanently established as to exclude almost the apprehension of War—Free Trade was believed to have provided a cure almost radical for the evils of Scarcity—the Discoveries of the New Gold were considered to have banished commercial panics, and to have already produced a permanent fall in the rate of Interest:—the recent Exhibition of Industry in Hyde Park—a high tide of prosperity—a Foreign and Home trade, expanding with a rapidity exceeding all former experience:—all these considerations and circumstances combined to disturb men's more sober judgments and lead them to scrutinize the future with less than usual caution.

It was in the midst of this most peculiar and remarkable state of things that the Share and Bondholders were led to embark in so vast an enterprise as the *Grand Trunk Railway Company*.

The Committee need not here recite the early and rapid dispersion of the anticipations and theories which raised the Spring of the year 1853 into the list of periods of notable public delusion.

The breaking-out of the deadliest and most costly War which had raged in Europe for forty years,—visitations of pestilence,—failures of the supplies of food,—repetitions of financial distress in its severest forms,—interrupted trade,—increased taxation—and the growth of a political distrust to which the lapse of every year seems to add only deeper shadows,—have disappointed the hopes, as they have constantly and increasingly falsified the calculations,—which animated and guided the Shareholders and Bondholders when they embarked in Canadian enterprise.

The Canadian Parliament will not say in reply to this recital that the Petitioners made a bargain and must carry it out in all its consequences; that would be an answer which the Committee are well assured will never be returned to them by a Canadian House of Commons.

The Share and Bondholders *have* carried out their bargain in all its consequences until they are broken down and exhausted. For the benefit of Canada they *have* reduced themselves into a condition in which they have neither money, credit, nor resources of any kind whatever.

They now ask the Parliament of Canada to take into consideration all the facts of this matter. They ask that Parliament to look at this question, not as a dry and formal point of law, to be argued over in a spirit of small and literal detail, but as a case of *partnership* between Canada and a large body of claimants on Canada in the Mother Country—men and women who, trusting in the progress of the Province and relying in good faith upon the words and acts of its regular and lawful Government, have become involved in the great embarrassments set forth in the Petition which this Statement of Reasons is intended to support and justify.

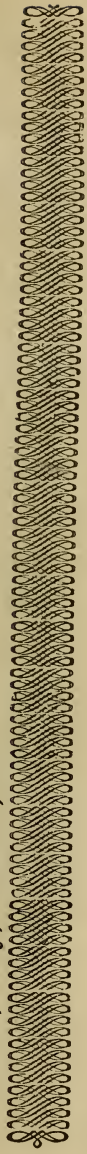
ROBT. W. CRAWFORD,  
*Chairman.*

WILLIAM NEWMARCH,  
*Deputy Chairman.*

SAMUEL J. ARNOLD,  
WILLIAM EVANS,  
WILLIAM HARTRIDGE,  
WILLIAM SMITH,  
HENRY WHEELER,

Select Committee of Share  
and Bondholders of the  
Grand Trunk Railway  
Company.

This Form of "Authority to Sign" should be filled up AT ONCE, and sent per Stamped Envelope to the Secretary Grand Trunk Railway, 21 Old Broad Street, City, London, E.C.



No. \_\_\_\_\_

Dated { At \_\_\_\_\_  
          { On \_\_\_\_\_

I hereby authorise John Miller Grant, the Secretary of the *Grand Trunk Railway of Canada*, to sign, in my name and my behalf, the PETITION to the Legislative Assembly of the Province of Canada from the Share and Bondholders of the said Railway, and intended to be at once sent to Canada for presentation.

(Signature) \_\_\_\_\_

DESCRIPTION:—Please insert the words "Shareholder"—"First Preference Bondholder"—"Second Preference Bondholder"—or "Ordinary Bondholder"—as the case may require.

The Secretary Grand Trunk Railway, 21 Old Broad Street, City, London, E.C.





