

# Investors, Government and the CMTR: A Study of Entrepreneurial Failure

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## Investors, Government and the CMTR: a Study of Entrepreneurial Failure

Economic history, it has been said, is a record of winners. Success perpetuates itself through its own records, whereas failure usually leaves behind less evidence for the historian to expand upon. Occasionally, however, sufficient documentation has been preserved to enable reconstruction of the complex chain of events which brought to a halt some promising venture. One example is the Chignecto ship railway. Unfortunately, the same romantic nostalgia which has kept alive memories of this ambitious attempt to transport ocean-going vessels by rail across the narrow isthmus which connects Nova Scotia to the rest of the Canadian mainland, has oversimplified accounts of its failure. The collapse of the Chignecto Marine Transport Railway has regularly been attributed to federal government neglect of the interests of the Maritime provinces. W.C. Milner, one of the original promoters of the project and a noted local historian, probably first placed the CMTR on the list of Maritime grievances, where it has remained ever since.<sup>1</sup> In the words of the most recent exponent of this view, "the failure of the line appears not to have been from any lack of operating capital, as the company had secured that, but rather from a lack of interest on the part of the Canadian government".<sup>2</sup> Yet this statement grossly distorts the actual course of events which led to the railway's collapse.

The federal government had been involved in plans for Chignecto transit since Confederation, when it first indicated an interest in proposals to dig a canal across the isthmus. Prompted by activity in both the Nova Scotia and New Brunswick legislatures, the new national government instructed its chief engineer, John Page, to examine all information previously compiled on what was then called the Baie Verte Canal. When he reported in 1869 that the information available was inadequate, he was ordered to make a survey himself of possible routes.<sup>3</sup> Shortly thereafter, the royal commission on canals headed by Hugh Allan placed the Baie Verte project in its top priority category.<sup>4</sup> On 10

- 1 Milner's views may be seen in his articles and pamphlets in the Milner Papers, Box 7, packet 30, New Brunswick Museum [hereafter NBM]. Their objectivity may be assessed from his statement that, if the railway had been completed and proved an economic failure, "Canada would not have lost a dollar". This claim is patently untrue.
- 2 David Stephens, "The Chignecto Ship Railway", *Nova Scotia Historical Quarterly*, 8 (June 1978), p. 142.
- 3 John Page, "Report" (1873), pp. 3-4. A copy of the report may be found in the Webster Chignecto Collection [hereafter WCC], file 267, Mount Allison University Archives. See also the miscellaneous information collection by Webster in the blue folder, WCC, file 268.
- 4 G.P. de T. Glazebrook, *A History of Transportation in Canada* (Toronto, 1938), I, pp. 75-88.

December 1873, summarizing a series of conflicting reports on recommended routes, construction techniques, and estimated costs, Page concluded that a canal available at all tides could be built for 8½ million dollars. At the same time, he deplored the lack of information indicating precisely what commercial benefits would derive from such a canal. For instance, would the canal actually increase trade with the West Indies, by shortening the sailing distance between the St. Lawrence and those islands? Would there be greater use of the Gulf fisheries?<sup>5</sup>

To answer these and similar questions, the Mackenzie government established, on 28 June 1875, a Baie Verte Canal Commission chaired by Montreal businessman John Young. This commission held sixteen hearings, mostly in the Maritimes, during the next few months, and on 2 December, Young tendered a majority report, which concluded that the canal would not benefit the Dominion's external trade since distances to Britain, South America, and the West Indies would not be shortened appreciably, if at all.<sup>6</sup> However, he paid little attention to local trade, an omission which prompted next month's minority report by commissioner J.W. Lawrence of Saint John. Lawrence argued that local industry would boom following construction of the canal, and discounted whatever contrary evidence the hearings had produced. "It is not", he wrote, "the existing trade between the Bay of Fundy and Gulf of St. Lawrence that should determine the question, . . . it is the trade the Canal will create and develop". Lawrence also dismissed anxieties that the canal would not pay its own way, declaring the question improper, since "what public work pays"?<sup>7</sup> Young's hard analysis was more appealing to Alexander Mackenzie than Lawrence's hopeful claims. On 3 March 1876, Mackenzie moved in the House to reduce the sum set aside two years previously for preliminary work on the project to a token \$20,000, adding that if in future some more advantageous scheme were proposed, it would receive fair consideration.<sup>8</sup> When the motion passed, the once bright prospects of the Chignecto canal receded.

Just as the question of economic utility was being decided against the canal, the enthusiasm of one man gave the project new direction and impetus. Henry George Clopper Ketchum, born in 1839 and the precocious first engineering graduate of King's College, N.B., had begun his career in the Chignecto area, working on the European and North American line from Shediac to Saint John. Only four years later, he was building a reputation as a skilful and energetic engineer on the Sao Paulo Railway in Brazil. Following a trip to England where he made the acquaintance of the leading engineers of his time, Ketchum

5 Page, *op.cit.*, esp. pp. 8-9.

6 "Report of the Baie Verte Canal Commission" (December 1875), a copy of which may be found in WCC, file 267.

7 "Minority Report" (January 1876), copy in WCC, file 267.

8 Chignecto Papers, shelf 33, NBM.

returned to Canada and the Chignecto area as resident engineer of the company constructing a line from Amherst to Moncton. When this scheme collapsed, Ketchum set up a private practice in Fredericton. From the end of the 1860s, he was looking for some greater challenge than local railway lines upon which to exercise his proven abilities.<sup>9</sup>

He soon found it. During the spring of 1875, Ketchum published three letters in the Saint John *Daily Telegraph* explaining the advantages of a railway over a canal at Chignecto. Not only could a railway to carry ships across the isthmus be built more quickly and operated more reliably, but its cost need not exceed 3½ million dollars, less than half the most conservative canal estimate.<sup>10</sup> For six years Ketchum was content to publicize his plans locally, but in May 1881 he sent copies of the earlier letters to Charles Tupper, then Minister of Railways and Canals. Another letter to Tupper later that year projected a total cost of 4 million dollars, which Ketchum proposed to raise by formation of a company under federal charter. This company would build, maintain, and operate the railway in return for certain fees and tolls, which would be subject to government approval. Since the expected trade might not materialize for some time, he urged the government to provide an annual subsidy, perhaps \$200,000 for twenty years, "by which time it may be expected the railway will pay for itself".<sup>11</sup> Ketchum evidently subscribed to the Lawrence theory, that a means of isthmus transit would generate its own business.

Tupper turned the matter over to his own chief engineer, Collingwood Schreiber, who declared the project both feasible and desirable, since a ship railway would be a good substitute for a canal as far as shipping was concerned, and financially it would cost much less.<sup>12</sup> Early the next year, Ketchum sent a modified route proposal to Ottawa, and in February he and twenty partners, mostly local businessmen and politicians, petitioned the federal government to incorporate a company to carry out the work. Although a federal engineer warned that Ketchum's revised cost estimate of \$4,350,000 was likely the very minimum amount needed, an order-in-council of 12 April 1882 authorized the contract and recommended an annual subsidy of \$150,000 for twenty years.<sup>13</sup> On 9 May, Tupper brought this resolution to Parliament.

9 E.H. Turnbull to Webster, 1 January, 7 February 1938, WCC, file 273; R. Sharp to Ketchum, 3 May 1865; McLandish to Ketchum, 4 August 1871, both in the Ketchum Collection, Box 1, University of New Brunswick (Fredericton) Archives [hereafter UNB].

10 H.G.C. Ketchum, *The Cost, Feasibility, and Advantages of a Ship Railway Across the Isthmus of Chignecto* (3rd. ed., St. John, 1882), copy in WCC, file 275, contains the three letters. Ketchum himself estimated that a canal would cost \$12 million, were it to adequately accommodate the steamer coasting trade.

11 *Ibid.* Also see Ketchum to Tupper, 7 November 1881, WCC, file 275.

12 H.G.C. Ketchum, *The Chignecto Ship Railway, The Substitute for the Baie Verte Canal* (undated, but not published before 1888), copy in WCC, file 274.

13 The associates were Edwin Clark, Thomas C. Keefer, Charles R. Coker, R.G. Lunt, William

A short but prophetic debate took place during the 11 May second reading. When Tupper declared that Parliament should be only too glad to “pass these resolutions and place it in the power of the Government to secure objects of such great importance at such a comparatively small cost to the country”, Alexander Mackenzie objected that the proposal had not received adequate examination, that traffic on the line would fall well short of Ketchum’s estimates, and that the shorter passage around Nova Scotia was a benefit nullified by the difficulties of navigation in the turbulent waters of the Bay of Fundy, which meant that light vessels, at least, would not use the route: “I do not say that the scheme is impracticable, but I doubt very much its utility”. Mackenzie also warned that after the work had been but partially completed, “we shall be called upon to make good” a financial commitment originally intended not to come into effect before completion of the line. Edward Blake enlarged upon the point, declaring that if a contract were signed, “the terms of the agreement may be such as may entangle us, inasmuch as capital is to be raised on the strength of them. Hence may arise some kind of obligation as is sometimes recognized by Governments to pay the subsidy, inasmuch as capital was raised on it, although the conditions might not have been fulfilled”. When Tupper assured the House that “any capital subscribed will be subscribed with the fact distinctly stated that obligation of the Government depends on the contingency of this work being successful”, a Liberal member, F. Killam of Yarmouth, N.S., suggested that the subsidy “may be regarded as simply a means of attracting offers from capitalists” in order to allow the government to back out of a long term commitment by turning the Chignecto isthmus project over to private enterprise. The bill passed the next day.<sup>14</sup>

Ketchum immediately began to publicize the project in a series of pamphlets describing its physical nature and economic prospects. The railway would operate in the following manner. A ship carriage or cradle, provided with keel blocks and resting on wheels, would be placed on the rails lying on the gridiron of the hydraulic lifts located at each end of the line. This gridiron would actually be a part of the railway line itself, temporarily sunk into the basin. An incoming vessel would be floated into position over the cradle, at which point the gridiron would be lifted to the level of the keel. While the apparatus was still under water, the keel blocks would be pushed into place, after which the whole mass would be raised in a few minutes by means of hydraulic presses on both sides of the gridiron. The cradle and ship would then be hauled off the lift onto the railway,

Elder MPP, Charles C. Gregory, Col. Charles J. Stewart, Christopher Milner, Hon. P.A. Landry, J.C. Brundage, W.C. Milner, W.H. Marston, Hon. J.S. Carswell, Hon. A.W. Ogilvie, John H. Parks, A.E. Killam MPP, Hon. C.J. Townsend, James S. Hickman, W.D. Douglas, W.D. Main. See WCC, file 271 and typescript, WCC, file 272.

<sup>14</sup> Canada, House of Commons, *Debates*, 1882, pp. 1468-72. Mackenzie also declared that Ketchum had escaped searching criticism before the Railway Committee because the committee did not realize what the government intended.

where special locomotive engines, one on each of a double set of tracks, would pull the carriage overland at a speed of at least ten miles per hour. At the opposite terminus, the locomotives would pass onto a siding and the vessel and cradle be pulled onto another hydraulic lift and lowered into the water. As the gridiron was lowered to the basin bottom, the vessel would float free. In fact, he noted, the railway would be "simply a *Marine slip* extended, with hydraulic lifts at either end". Ketchum estimated that at least 1,200,000 tons, equally apportioned between cargo and registered tonnage, would cross the isthmus each year. If a rate of fifty cents per hull ton were charged, over \$300,000 would be grossed annually, of which only \$90,000 would be lost in working expenses, since maintenance costs would be light. Thus, a typical year might realize nearly a quarter of a million dollars profit.<sup>15</sup>

Despite at least one serious expression of investment interest,<sup>16</sup> no capital was raised immediately. Indeed, the relationship between the CMTR Company and the Canadian government was to be dominated by that firm's unsuccessful attempts to raise capital and to alter the terms of the initial agreement. Two months before the incorporation, Ketchum had been told that financiers would not handle the bond subscription unless the Dominion government guaranteed interest payments on invested capital, and within a month of Parliament's authorizing the agreement, he declared certain alterations were necessary before the company would sign. On 10 February 1883, the company petitioned to allow a doubling of capital stock from one to two million dollars, and a considerable increase in first mortgage bonds. After some delay, a private member's bill containing these amendments passed the House of Commons on 18 April. The very next day, Schreiber reported that Ketchum had found the project would require much more work than was originally supposed, and would ask again for better terms, since the cost would "very much exceed" earlier forecasts.<sup>17</sup> Before a sod had been turned or a plank laid, a pattern was emerging of recurrent delay attributable to financiers' wariness and inadequate engineering estimates.

On 26 February 1884, the CMTR Company suggested that its annual subsidy be raised from \$150,000 to \$175,000 for twenty-five years, that some of the dredging be done by the government, and that certain essential items such as rails be admitted to the country duty free. On 4 April, Ketchum requested an additional \$20,000 per year under the Dry Dock Act, and in June a subsidy of \$187,000 for twenty years. Finally, in the autumn of 1885, the government agreed to increase the annual subsidy to \$170,682 for twenty years, specifying 1 July 1889 as the date by which the works must be completed if the subsidy were to be paid.<sup>18</sup> When J.H. Pope, the Minister of Railways and Canals, moved on

15 H.G.C. Ketchum, *Chignecto Marine Transport Railway* (n.p., 1882), copy in WCC, file 271.

16 "Report of Darton Hutton" to Cutbill and D. Lunge, 29 November 1882, WCC, file 271.

17 *Debates*, 1883, pp. 106, 164-5, 244, 701; see also the blue folder in WCC, file 268.

18 Copy of petition, signed by sixteen of the directors, in WCC, file 277; Copy of report to the privy council, 6 October 1885, in WCC, file 279.

13 April 1886 that the House of Commons go into committee of the whole to consider the subsidy change, a heated debate erupted during which a number of Liberals and one Conservative denounced the Chignecto project as economically unsound. Pope's bill did pass, but with the provision that the Company was to receive the subsidy only insofar as it was necessary to realize a 7½% return on investment. Half of any excess would go toward repayment of any portion of the subsidy previously used. The Company signed the amended contract on 4 April 1886.<sup>19</sup>

Great hoopla surrounded the venture at this point. Enthusiastic pamphlets poured forth and the plans hung on a wall of the railway committee room at Ottawa where, according to one account, John A. Macdonald enjoyed explaining them to visitors. The *Montreal Herald* and *The Scientific American* endorsed the project, and Ketchum busied himself with publicity. "All that has been said in favor of the Baie Verte Canal", he declared, ". . . applies with greater force at the present moment, because of the great increase of trade and production . . . which warrants the belief that the next decade will witness a still greater increase in . . . wealth if additional facilities of communication be provided". Yet aside from a reference to traffic between Charlottetown, P.E.I., and Boston, he remained vague about just where this traffic would come from. While Ketchum did not doubt that "there would be business enough for both canal and Ship Railway", he estimated that only 200,000 registered tons would cross the line in its second year of operation.<sup>20</sup> Clearly he believed the railway would stimulate its own business rather than fulfill the needs of current shippers, and in the excitement of the moment, he did not pause to explain just how the boom would occur.

Actual work on the site began during the summer of 1887, although, since adequate financing had not yet been arranged, nothing of more than a preliminary nature was done. The English firm of Cutbill & D. Lungo, which had expressed serious interest in 1882, withdrew abruptly during the summer after having agreed to contract to raise the capital. Another English firm, Morton, Rose & Co., had told Ketchum that it could not undertake to raise the capital unless the conditional guarantee of the interest (i.e., the subsidy) were replaced by an absolute guarantee, and doubted that capital would ever be raised under the existing conditions. But in December 1887, John G. Meiggs & Son, with whom Ketchum had established contact through the English engineer, Benjamin Baker, offered to accept the contract provided that the government postponed

19 *Debates*, 1886, pp. 673-81; *Statutes of Canada*, 1886, 49 Vic. ch. 18.

20 Pamphlet, "Press Opinions", Borden Papers, pp. 178610-11, Public Archives of Canada [PAC]; H.G.C. Ketchum, "Public Opinion of the Chignecto Ship Railway", Milner Papers, NBM; for the 200,000 tons estimate, Ketchum, *The Chignecto Ship Railway, Will It Pay*, copy in Milner Papers, NBM; for the boast the route would support both canal and ship railway, Ketchum to Meiggs, 27 June 1888, Ketchum Collection, Box 1, UNB.

the completion date.<sup>21</sup> In his enthusiasm over this news, and after hearing Massachusetts' free trade senator Hoar express interest in Chignecto, Ketchum foresaw an "international Ship Railway Company" which might build such railways throughout the world, commencing at Panama.<sup>22</sup> These were heady days.

On 18 April 1888, Parliament was asked to approve a one year extension of the completion date with a penalty clause of £1000 per month for an additional period of two years. Several members opposed the bill, including Peter Mitchell (Ind-Northumberland, N.B.), A.G. Jones (L-Halifax), and W. Walsh (L-Queen's, P.E.I.). J.V. Ellis (L-Saint John) argued that the Maritimes had other, more pressing needs. But the bill passed after Tupper repeated his pledge that "the Government is not asked to pay any money, but simply to enable English capitalists to furnish all the money required and to give us this work at half the cost we would obtain these advantages in any other way". A month later, a massive Railway Act also passed, intended to bring a greater semblance of order to the proliferation of railways throughout the country. Buried in this act was a harmless-looking clause to the effect that bonds or debentures could not be issued until one-fifth of the cost had been expended. The CMTR supporters were aware of this legislation, but doubted that it would affect their operations.<sup>23</sup>

Prospects for the railway had never looked so good. In May, Ottawa approved the company's engineering plans. The company itself was reorganized and the original promoters replaced by a board of directors including Thomas Wood, president, Colonel Paget Morley, A.D. Provand, W.H. Campbell, A.R. Robertson, and Arthur Serena. Sir John Foster, Sir Benjamin Baker, and Ketchum were appointed the chief engineers.<sup>24</sup> With these changes, the project had become essentially an English venture. At the same time, serious work finally began on the site. Optimism reigned in the fall of 1888, as a boom struck the Chignecto area. Men and women poured into the area (often leaving just as quickly), while Sackville and Amherst, where the engineers "entertained lavishly" at their headquarters, known locally as Ballyhooly House, did a roaring business. "These were hectic days", according to one later account, "... money flowed freely on pay nights, almost as freely as the liquor". All the

21 Petition to Governor-General H.C.K. Petty-Fitzmaurice, 25 July 1887, copy in WCC, file 276; Morton, Rose & Co. to Ketchum, 30 March 1882, WCC, file 276; Ketchum to Meiggs, 9 December 1887, Meiggs to Ketchum, 30 December 1887, Ketchum Collection, Box 1, UNB.

22 Ketchum to Meiggs, 27 June 1888, Ketchum Collection, Box 1, UNB.

23 *Debates*, 1888, pp. 935-41; *Statutes*, 1888, 51 Vic. ch. 14; *Statutes*, 1888, p. 161, for the relevant section of the Railway Act; Cameron, Spencer to Ketchum, 29 November 1888, WCC, file 281; Cameron, Spencer to Ashurst, Morris, Crisp & Co., Old Jewry, London, 29 November 1888, *ibid.*

24 Ketchum, *The Chignecto Ship Railway, The Substitute for the Baie Verte Canal* (n.d.), copy in WCC, file 274.



subcontracts were signed.<sup>25</sup> But minor difficulties soon accumulated. Workmen tore down Intercolonial Railway fences, and cattle rambled freely along the tracks, to the consternation of everyone save CMTR crews. Weather slowed construction, and Meiggs cabled on 26 November that because of a scare in the money market the shares could not be issued before January, and so only limited funds would be available until then. Finally the contractors themselves took the £100,000 of ordinary shares, and in March 1889 the £300,000 of preferred shares were issued and were “immediately subscribed at par”. However, the 1888 Railway Act prevented marketing of the £700,000 of first mortgage bonds, which did not appear until November, and then only partially. Later a company publicist would claim that “the compulsory postponement . . . of 1889 was fatal”.<sup>26</sup>

Certainly the confident glow of the previous year was fading by the fall of 1889. Ketchum, who had once estimated the entire line could be built in sixteen months, now informed Meiggs that work could not be completed before the summer of 1891. Ketchum sent a similar message to Macdonald. “I am very reluctant to ask for any further favors respecting the Ship Railway”, he began, and then promptly proceeded to ask that the penalty clause of \$5,000 a month be dropped, on the ground that it had been self-imposed by the company simply to speed up financial bargaining then in progress. On 20 May 1890, George Foster, the Minister of Finance, replied that “in consideration of the work already performed by the Company, and the assurance that operations would be vigorously finished during the present season the Government will not during the interim between 1 July and the next Session of Parliament enforce the penalty”, and hoped “that the progress made in the interim will be such as to remove any necessity for further legislation”.<sup>27</sup> On this note, work resumed confidently at Chignecto during the summer of 1890.

Unfortunately for the company, late that autumn, the failure of prestigious Baring Brothers’ latest Argentine bond issue set off a panic among London investors. Although the Bank of England was able to prevent a full-scale business disaster, subsequent revelations of Baring’s incompetent South American investments led to a severe constriction of the money market. Consequently, the

25 *Ibid.*; nostalgic article by R.M. Ross for the *Halifax Chronicle*, 23 March 1939, WCC, file 272; Ketchum Letterbook, p. 18, WCC, file 285; article by Ian Sclanders, shelf 15, folder 87, NBM.

26 Ketchum to Meiggs, 10 October, 8 December 1888, Ketchum Collection, Box 1, UNB; Ketchum, *The Chignecto Ship Railway, The Substitute for the Baie Verte Canal* (undated), copy in WCC, file 274; “Report by A.D. Provand to a Meeting of Share and Debenture Holders — May 19, 1898”, Laurier Papers, pp. 24210-65, PAC. According to *The Times* (London) of 18 March 1889, C. deMurietta & Co. of London handled the sales. Also see *The Monetary Times* (Toronto), 18 September 1891.

27 Ketchum to Leigh, 15 January 1890, Ketchum Letterbook, WCC, file 285; Ketchum to Macdonald, 25 January 1890, Ketchum Collection, Box 1, UNB; Foster to Ketchum, 20 May 1890, *ibid.*

remaining £350,000 of the £700,000 mortgage bonds could not be issued successfully, and work resumed at Chignecto in the spring of 1891 on a much-reduced scale.<sup>28</sup> Soon major problems developed. When Ketchum objected that the latest shipments of ballast material were substandard and unacceptable, the subcontractors responsible replied that since “rumours are current with the public that Messrs. Meiggs & Son & those connected with the undertaking are in financial trouble”, some work had to be done, however poor the materials immediately available, since cessation of work might aggravate Meiggs’ worsening position in England.<sup>29</sup> Late in the spring of 1891, the government tried to rescue the ailing project by extending the completion date to 1 July 1893. There was surprisingly little debate on the bill, but Richard Cartwright did extract from Foster another renewal of the pledge that payment of the subsidy depended upon completion and maintenance of the line.<sup>30</sup> That summer, as funds ran out, construction at Chignecto came to a halt. At the time, some \$3,500,000 had been spent on the site, the docks were nearly complete, one line of track had been laid, and the first of the specially-designed locomotive engines, named at Ketchum’s request, the “John Meiggs”, was about to be shipped from Kingston. But funds were gone, and the chief subcontractors, the firm of Dawson, Symmes & Ussher, which throughout the spring had accepted half its fees in the form of promissory notes, now possibly worthless, quarrelled with Ketchum and threatened to remove its plant from the site. Ketchum himself repeated rumors that high-handed financial intrigue had blocked the sale of the remaining debentures at a reduced price, and at least one Maritime newspaper raised the spectre of financial scandal. Still, few really regarded the stoppage as more than temporary, since less than \$1,500,000 was needed to complete the line. The *Monetary Times* observed simply that the enterprise “has received an obstacle”, and Meiggs informed Ketchum that negotiations for the sale of the remaining bonds, albeit at a discount, were again underway. The engineer was confident the work would be completed by the following summer.<sup>31</sup>

By autumn, with no financial relief in sight, Ketchum was less optimistic.

28 For fuller accounts of the crash of Baring Brothers, see *The Times* (London), November and December 1890, esp. 19, 20 November; and *The Monetary Times* (Toronto), 3 April, 26 June 1891.

29 Dawson, Symmes & Ussher to George Buchanan, 18 April 1890, WCC, file 281; Ketchum Letterbook, pp. 62-3, WCC, file 285.

30 *Debates*, 1891, pp. 636, 1087, 1253; *Statutes*, 1891, 54-55 Vic. ch. 12.

31 Correspondence between Ketchum and superintendent Leigh of the Canadian Locomotive Company of Kingston, in WCC, file 282; Ketchum to Leigh, 6 July 1891, Ketchum Collection, Letterbook, UNB; Ketchum to F.L. Hagadoon, 5, 17 August 1891, *ibid.*; *The Monetary Times*, 18 September 1891, citing the *St. John Globe*. For the quarrel with the subcontractors: Ketchum to Baker, 5 October 1891, Ketchum to Blain, 17 November 1892, Ketchum to Provand, 10 June 1895, Ketchum Collection, Letterbook, UNB. For the estimate of money spent, which is confirmed by many accounts, Provand to Fielding, undated, Laurier Papers, pp. 31926-9.

Casting about for a solution, he hit upon the idea that would henceforth dominate the company's relations with the government. Work, he wrote, was likely to remain halted "unless the Government come to our aid in some way or other". He wondered about the chances of a million-dollar loan, at length dismissing this possibility on the ground that the government probably could not carry such a measure through Parliament.<sup>32</sup> As winter deepened, an atmosphere of failure began to settle about the project. Most of the engineering staff had left, and local people were making off with rocks and cement from the works. Perhaps of greater import was the rumor that the £100 bonds, which had once sold on the London market at a small premium, had sunk to £50 in value. Finally Meiggs was forced to suspend employment of Ketchum, who nevertheless continued to lobby for the project. He laid his initial hopes in stimulating "a rousing approach by the Press on both sides of politics", and arranged for Mackenzie Bowell, the Minister of Customs, to inspect the site. Although Bowell professed admiration for the work done, he hesitated to proffer financial help.<sup>33</sup> Foster, too, promised only that if the application for assistance were put into a shape defensible in Parliament, the government would give it a favorable hearing. "As the Ministers have not repelled us at the outset", Ketchum wrote, "I have now every hope of succeeding with patience and persistence".<sup>34</sup> The question was, what sort of application would be "defensible in parliament"? Merely to have requested a loan, Ketchum knew, would have been impolitic; he was already occupied denying rumors that the company sought an advance of \$1,500,000 to complete the works. Finally the company suggested an exchange of the unsold £350,000 of mortgage bonds for £300,000 in Canadian government 3% bonds, coupled with a pledge that railway would be completed by 1 July 1893.<sup>35</sup>

Although the company assured the government that the Dominion would profit by several thousand dollars annually from this arrangement, Foster realized that the proposed bond exchange amounted to federal capital investment in the scheme and replied on 5 January 1892 that "the Government was obliged reluctantly to come to the conclusion that under all the circumstances of the case it was not possible for it to promise to undertake any further formal obligations in relation thereto outside of those provided for in existing Statutes", and warned that "the Company know that from the inception of this scheme it was clearly and repeatedly stated in Parliament that the country was not pledged and would

32 Ketchum to George Johnstone, 23 September 1891, Ketchum Collection, Letterbook, UNB; Ketchum to Kirkpatrick, 25 September 1891, *ibid.*; Ketchum to Kendrick, 28 September 1891, *ibid.*

33 Ketchum to Baker, 5 October 1891, *ibid.*; Ketchum to Meiggs, 22, 26 October 1891, *ibid.*

34 Ketchum to Baker, 29 October 1891, *ibid.*, doubts the interview with Foster will be successful; Ketchum to Meiggs 16, 19 November 1891, *ibid.*, express satisfaction with its outcome.

35 Ketchum to Meiggs, 16 November 1891, *ibid.*; Petition of CMTR Co., copy in WCC, file 277.

not be pledged to the undertaking beyond the payment of a fixed subsidy for a term of years after the works had been completed and then only on condition that they were kept in operation".<sup>36</sup> Undaunted, Ketchum asked Foster to consider an alternative. Could he obtain an order-in-council authorizing subsidy payments to commence 1 July 1892, provided the capital were secured by that date? He complained that "the value of the subsidy (as it now stands) is destroyed by the want of certainty in its payment".<sup>37</sup> This misrepresented the facts. There was no uncertainty of payment since conditions for the subsidy were clearly laid out in the contract. What was highly uncertain, however, was the ability of the company to complete the line. Unable to raise money publicly, it could do little else for the moment but to repeat a request which it knew to be unacceptable to the government. But within the terms of the contract, the government did try to help. Early in May 1892, Ketchum received word from the Conservative Cumberland M.P., A.R. Dickey, that the government intended to extend the completion date by which the company would remain eligible for the subsidy to 6 July 1894. The order-in-council which passed 9 July specified that the extension depended upon the work being in progress and the capital having been secured. On the strength of this good news, Ketchum was empowered to hire a man to take measurements on the line.<sup>38</sup>

Meanwhile, the CMTR shareholders in England had been making plans for their company. At a shareholders meeting on 1 March 1892, the chairman described the work stoppage as temporary, due to the tight money market, while Ketchum enlarged upon the economic worth of the project, claiming that the increased coastal trade made it more advantageous than ever. Although currently only one steamer per week travelled from Charlottetown to Boston, with the CMTR's completion, another might be added. Bolstered by these favorable reports, the shareholders rejected, at a second meeting on 4 April, the alternative of abandoning the enterprise, and sent company director A.D. Provand to Canada, empowered to make "all necessary arrangements for the rest of the work".<sup>39</sup> Andrew Dryburgh Provand, born in Glasgow in 1838 and Liberal M.P. for the Blackfriars and Hutesontown division of that city from 1886 until 1900, was a Manchester merchant with a flair for publicity. Arriving in Canada early that autumn, Provand set quickly to work, engaging a new contractor. Unfortunately for Provand, just as he was assuring Ottawa politicians that the needed funds would soon be raised, a series of railway scandals erupted in

36 Foster to Ketchum, 5 January 1892, WCC, file 278.

37 Ketchum to Foster, 6 January 1892, *ibid.*

38 Ketchum to Provand, 11 May 1892, Ketchum Collection, Letterbook, UNB; Ketchum to Baker, 12 May 1892, *ibid.*; Ketchum to Kendrick, 16 May 1892, *ibid.*

39 *The Monetary Times*, 25 March 1892; *The Times*, 5 April, 31 July 1892; Ketchum to Blain, 12 November 1892, Ketchum Collection, Letterbook, UNB. On Provand, see M. Stenton and S. Lees, eds., *Who's Who of British Members of Parliament* (Atlantic Highlands, N.J., 1978), II, p. 293.

Canada,<sup>40</sup> which heightened British investors' wariness of foreign railway schemes. By the new year, no additional money had been found.

Consequently, on 30 March 1893, a delegation of shareholders approached the Canadian High Commissioner to England, Sir Charles Tupper, the man who had originally introduced the project to Parliament. Emphasizing that three-quarters of the work had been completed before the 1891 halt, the group asked for an extension of time to 1 July 1895, and for financial aid. Tupper waxed eloquent on the first point and carefully ignored the second. According to a later company document, the Commissioner replied "that whenever at any reasonable time the Company are in a position to show they have obtained the necessary means to carry forward the work and resume it, the spirit of . . . [the 1892] order-in-council will be carried out and the time will be extended to such a period as will be fairly necessary to carry out the work".<sup>41</sup> A week after receipt of this reply, Provand met Prime Minister John Thompson and Charles Hibbert Tupper in Paris, where they were attending the meetings of the Behring Sea Tribunal. When Provand tried to relate the latest developments, Thompson, perhaps too busy to be interrupted by the globe-trotting envoy of this obscure business venture, told Provand to send the information to Ottawa, where it would be studied. At the same time, Thompson indicated scepticism of Provand's claims: "He wants another promissory note from Council, and a little money to mix with it". Provand did forward his memorial to Ottawa, but no action was taken before his arrival there in October.<sup>42</sup>

The results of this second trip contrasted unfavorably with those of the first. The new subcontractor, James Ross, had refused to accept payment in company bonds, and work remained stalled.<sup>43</sup> In Ottawa, Provand's abrasive bargaining stance hurt his position. Upon learning that the government had reiterated by order-in-council its refusal to give financial aid, he repeated the request for a time extension and threatened that "it will certainly create a very bad impression in financial circles" if the extension were refused, since "Sir Charles Tupper's last words to the Deputation were considered as distinct promise of necessary extension of them". Thompson replied tersely that the "subject will be considered by Council as one on which the Government is perfectly free to grant or refuse", and that "your attempt to fasten a promise on us will not do". Provand hastily disclaimed any intention to fasten a promise on the government,

40 Ketchum to Baker, 15 October 1892, Ketchum Letterbook, WCC, file 285; L.C. Clark, "The Conservative Party in the 1890s", *Canadian Historical Association Annual Report* (1961), p. 60.

41 "Report by A.D. Provand to a Meeting of Shareholders", 19 August 1898, p. 15, in Laurier Papers, pp. 24210-65, PAC.

42 *Ibid.*; Thompson Papers, Letterbook 37, p. 57, PAC.

43 Ketchum to Provand, 2 February 1893, Ketchum Collection, Letterbook, UNB. "Things look bad for Ship. Ry.", Ketchum added to this letter. "This undertaking is as sound as ever & better, but the difficulty is to make people believe it".

yet repeated his statement that "in financial circles Sir Charles Tupper's reply to the Deputation is considered an assurance that whatever time is required to complete the work will be accorded". Thompson did not ask why, if English financial interests had indeed interpreted Tupper's remarks in this light, they still hesitated to finance the railway. All Provand got from his second visit to Canada was still another refusal, in January 1894, of financial assistance.<sup>44</sup>

Rebuffed, Provand returned to England, and the company intensified its efforts to overcome the difficulties preventing completion of the railway. Unable to sign a Canadian contractor to replace Meiggs, the company opened negotiations with another English firm, Pearson & Son of London, who sent engineers to the Chignecto site and signed, in June 1894, a contract to complete the works. More importantly, the original debenture holders now subscribed the remaining bonds to an amount sufficient to finish the railway, conditional upon the company's obtaining an adequate time extension. After checking with Tupper, who agreed that the conditions of the 1892 order-in-council had now been met, Provand cabled Thompson on 28 June: "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 we secure an extension of time sufficient to complete them any two years for which I now apply on behalf of the Company".<sup>45</sup> When Thompson replied that the matter could not be given immediate consideration, Tupper urged Thompson to arrange an extension and expressed his confidence in the financiers involved. Provand went to Ottawa, but had difficulty arranging an appointment with Thompson, and finally was told to take his case to the Governor-General Lord Aberdeen, which he did at once, asking for an extension to December 1896. However, Thompson did promise that the request would be fully considered in September. Watching this procrastination, the reasons for which would not be evident for almost two years, Ketchum called Provand's case "irresistible" but supposed the government would delay the matter indefinitely for "political reasons", which he did not specify.<sup>46</sup>

The political situation was actually much worse than Ketchum supposed. On 20 September 1894, the Minister of Railways and Canals, John Haggart, reported to the privy council that, in view of the attitude of the Commons, the

44 Provand to Thompson, 27 October, 4, 9, 10, 11 November 1893, Thompson Papers, pp. 23637, 23733, 23785, 23821, PAC; Thompson to Provand, 10 November 1893, *ibid.*, pp. 23821-2. On the orders-in-council, see the blue folder in WCC, file 268.

45 "Report. . .", Laurier Papers, pp. 24210-65, PAC; Provand to Thompson, 28 June 1894, Thompson Papers, p. 26887, PAC.

46 *Ibid.*; Tupper to Thompson, 11 July 1894, *ibid.*, p. 26977; Provand to Thompson, 14, 30 July 1894, *ibid.*, pp. 27010, 27236; Ketchum to Edwin Force, 24 August 1894, Ketchum Collection, Letterbook, UNB; Ketchum to Provand, 6 September 1894, *ibid.*; Ketchum to Kendrick, 17 September 1894, *ibid.*

government should not incur the responsibility of endeavoring to obtain a further extension.<sup>47</sup> The decision was a sharp blow to the hopes of CMTR supporters, and has even been interpreted as federal betrayal of the investors.<sup>48</sup> Tupper simply refused to acknowledge Haggart's assessment of the political situation. "To allow their financial position to stand in the way of keeping faith with Capitalists would cover them with deserved and everlasting disgrace", he wrote to his son, "to say nothing of its fatal consequences to all Canadian enterprises". In October, a deputation of shareholders met Foster in London, who assured them "that the Government will take this matter up as was promised . . . and we will give it our best consideration on the grounds of what might be called moral obligations".<sup>49</sup> The fact that this statement was made some time after Haggart's report implies that the government had not abandoned the project; later events would prove this. In April 1895, A.R. Dickey, now Secretary of State, told Ketchum that a favorable order-in-council would pass, provided that the company guarantee that at least 2000 registered tons of shipping would transit the line weekly during its operating season. Ketchum felt confident that this could be achieved, especially in light of the company's own plans to sponsor a steamship line from Charlottetown to Saint John.<sup>50</sup> Provand hurried to Ottawa, but soon returned home, again empty-handed. On 29 May, Foster wrote that the government found it impossible at that time to consider any bills involving monetary liability but promised that "the Government will . . . take up your case for final disposition next year and you may consider that the subsequent delay does not in any way imply an unfavorable view of the Company's claims and is undoubtedly without prejudice to their future considerations".<sup>51</sup> From this, Ketchum concluded that Dickey had little influence in the Cabinet.<sup>52</sup> In light of events of the next year, a more accurate conclusion would be that, despite clear reasons for doing so, the federal government had not abandoned its interest in the Chignecto ship railway.

These events confirmed Thompson's and Haggart's 1894 assessment of the political situation. At first, with Sir Charles Tupper, the railway's leading political supporter, now in a position to offer more than verbal encouragement, the CMTR appeared destined to acquire a new lease on life. The long-awaited order-in-council passed quickly, recommending that legislation be introduced during the current session to extend the completion date. However, before the

47 See the blue folder in WCC, file 268.

48 Stephens, "The Chignecto Ship Railway", p. 142.

49 Tupper to the Minister of Marine and Fisheries [C.H. Tupper], undated, Thompson Papers, p. 27576, PAC; "Report. . .", Laurier Papers, pp. 24210-65, PAC.

50 Ketchum to Provand, 29 January, 11 February, 18, 19 April 1895, Ketchum Collection, Letterbook, UNB.

51 Foster to Provand, 29 May 1895, cited in "Report. . .", Laurier Papers, pp. 24210-65, PAC.

52 Ketchum to Provand, 10 June 1895, Ketchum Collection, Letterbook, UNB.

government could introduce a bill to renew the subsidy agreement which had lapsed in July 1894, a private member's bill was needed to renew the charter of the company. After a month's delay caused by confused wording, the House reached second reading on a bill sponsored by C.V. McInerney (C-Kent, N.B.) and H.A. Powell (C-Westmorland), when a full debate erupted. Tupper's grandiose rhetoric got him trouble at the start. He need not say, he began, "the disaster it would be to the Dominion, if it was felt that parties acting in good faith . . . and expending such a large amount of money in order to carry out a public contract with the Government of Canada were not in a position to obtain from the Government and Parliament of this country every fair, honourable and just consideration". A Liberal member from Ontario quickly pointed out that the current bill merely renewed a company's charter, whereas Tupper's speech implied a subsidy grant would follow: "For my part I want to have it absolutely and distinctly understood that this House is in no sense or way committed to the policy of extending that grant". So Tupper was caught in a dilemma. To argue that no subsidy bill would be forthcoming would be to abandon the company and to negate his own intentions; to announce that he would introduce such a bill would unleash widespread hostility to the current bill. When he said nothing, a number of M.P.'s immediately rose to declare their enmity to the ship railway. Two members (one the Conservative from Albert, N.B.) bluntly denied Tupper's claim that the credit of Canada hinged upon this enterprise, while Louis Davis insisted, as he had in 1886, that the project would not pay. James McMullen, another Ontario Liberal, argued that the investors "never can possibly get anything out of it unless Parliament is fool enough to be drawn into a renewal of the grant". Finally, a third Ontario Liberal, J.F. Lister, condemned the railway as a "bolstered scheme" and a "swindle" considerably less deserving of public money than a search for Atlantis, and the sort of absurd program the government might be expected to support as a general election drew near. On a roll call ballot, the bill to renew the company's charter was defeated 55-54.<sup>53</sup>

Two weeks later, when McInerney moved to restore the bill to the order paper, stating that the proposal in no way necessitated a subsidy renewal, Lister delivered his strongest attack against the railway, describing it as "one of the most astounding frauds of the present century" and the worst of Tupper's many follies. The tirade passed into personal speculations on the nature of Tupper's involvement with the investors. When Lister then claimed that the London bankers who currently held the bonds had got them at "a most terrible discount", Foster interjected that they had bought them at "par, or very nearly par". Lister then asked whether Tupper was personally pledged to make good to the investors their losses. Trade and Commerce Minister W.B. Ives closed the debate by distinguishing between a very small group sincerely opposed to the

<sup>53</sup> For the order-in-council, see the blue folder in WCC, file 268. *Debates*, 1896, pp. 1775, 3051-97. See the report of the vote in *The Times*, 18 March 1896.



bill, and a much larger group, who felt the charter ought to be renewed but were suspicious of the government's intentions. Although the House voted 80-63 to restore the bill to the order paper,<sup>54</sup> the terms of Ives' final appeal implied that no one expected that a subsidy renewal bill could pass. Altogether, the debate convincingly documents Haggart's and Thompson's 1894 reading of the parliamentary mood, a political reality which Tupper, in London, had been able to ignore. Moreover, in the spring of 1896, as the government struggled mightily to obtain passage of the Remedial Act before the 25 April dissolution of Parliament, no further debate could be devoted to this local project of a railway across an isthmus. Tupper did make one last effort on behalf of the company. A 22 May order-in-council promised to deal with the matter during the next session. This declaration was almost completely meaningless, since clearly no action could be taken unless the Conservatives were returned with an increased majority, the least likely outcome of the impending election.<sup>55</sup>

Tupper's failure to obtain even the charter renewal, and the subsequent defeat of the Tories at the polls, marked the end of hopes for the completion of the railway. Aside from a few simple repairs, quickly negated by further decay, no work had been done on the line since 1891. Moreover, despite Ketchum's insistence to the contrary, the railway had become wholly identified in the public mind as a Conservative measure. The Liberal government came to power not only without obligations to the company, but with a long history of opposition to the railway. In one other way, 1896 marked a crucial turning point. Henry Ketchum, aged 57, died on 6 September.<sup>56</sup> However, his death was more symbolic than significant to the railway, since, after 1892, he had been largely confined to the role of site caretaker, while the fate of the venture became a matter for negotiation between the Dominion government and A.D. Provand.

Nevertheless, the story of the Chignecto Ship Railway did not end abruptly in 1896. Although the Liberal electoral win invalidated the May decision of the privy council, Provand hastened to Ottawa, where he met with the new privy council on 2 September, but was told the government would undertake no action before learning the wishes of the new Parliament.<sup>57</sup> By winter, with no further reply from Ottawa, the investors were uneasy. A shareholders meeting of 18 January 1897 noted that £800 had been spent on the site the previous summer, mostly on dredging, on the strength of Tupper's order-in-council. Next day, the *Financial News* warned that "if the appeal of the Chignecto bond and shareholders is not listened to, . . . Canadian credit will receive a severe shock in the London money market". On 16 February, a deputation of company officials

54 *Debates*, 1896, pp. 27-50. Laurier, who had not voted on the previous CMTR ballot, voted against the restoration.

55 L.C. Clark, "The Conservative Party in the 1890s", pp. 58-74.

56 Turnbull to Webster, 1 January, 7 February 1938, WCC, file 273.

57 "Report. . .", Laurier Papers, pp. 24210-665, PAC.

visited the new High Commissioner, Sir Donald Smith, to tell him that the business was much like a Dominion loan, except that they rather than the government spent the money on the public work.<sup>58</sup> Their claim that the Canadian government was as responsible for the security of British private investment in Canada as if these funds had been loaned to the government itself, concisely reflected the arrogant attitude of the investors.

Within a week, Provand changed tactics startlingly. He offered to sell the property to the government. "If they take it over", he wrote to Smith, "they can with a very small outlay, convert the two docks into excellent harbours", although he failed to suggest just what the government might do with an excellent harbor on either side of the Chignecto Isthmus. Then he outlined a plan whereby the government might exchange the subsidy for an outright payment of £420,000, a sum sufficient to complete the line. That summer, after another meeting with Laurier, Provand adopted a more strident tone. Public opinion, he argued, had been misled by repeated parliamentary denunciations of the project. People had begun to believe the epithets of "swindle" and "a cheating venture". Yet, Provand pointed out diplomatically, all the decriers of the railway were Liberals! Unless matters were cleared up, Provand threatened to reveal all that he knew, and "it will then be impossible any longer to conceal the fact that the Ministers of one political party of Canada are the authors of the deliberate falsehoods uttered and of the abuse to which we have been subjected".<sup>59</sup> Laurier doubtless quivered in his boots at this threat, and might have been equally amused by a letter from one J.C.F. Lee, holder of £400 of debentures for which he had paid a premium, who offered Laurier a plan whereby the government could generously resolve the issue by offering to buy £400,000 of debentures, then buy the works for £120,000 and, finally, complete the railway and pay the profits to the shareholders!<sup>60</sup>

On 27 January 1898 the subcommittee of the privy council to which Laurier had referred the problem reported that "Bearing in mind the almost universal testimony of experts and practical men of all shades of opinion that it is no longer possible to believe that this enterprise can become a commercial success under any circumstances, [we] are of the opinion that the scheme cannot be

58 *The Times*, 19 January 1897. For the *Financial News* clipping, which Smith sent to Laurier, see Laurier Papers, p. 11224, PAC. For the Dominion Loan argument, *ibid.*, pp. 12302-9. The deputation consisted of Thomas Wood, the CMTR Co. president; R.B. Martin, for the Globe Trust, which held £20,000 of debentures and £20,000 of securities; Edward Bond, for the New Imperial Investment Co., which held an equal amount of debentures and shares; Charles VanRaalte, for Mocatta & Co., which held £100,000 of shares and debentures; and Frederick Norman, for the Maritime Bank, which held £25,000 of debentures. One-fifth of the entire outstanding investment was thus held by four firms. See Laurier Papers, pp. 12292-3, PAC.

59 Provand to Smith, 20 February 1897, Laurier Papers, p. 12294, PAC; *ibid.*, pp. 12297-301; *The Times*, 29 July 1897, "Report. . .", Laurier Papers, pp. 24210-65, PAC.

60 J.C.F. Lee to Laurier, August 1897, Laurier Papers, pp. 16019-21, PAC.

regarded as one of such public utility as would warrant an application to be made to Parliament for a renewal of the lapsed subsidy".<sup>61</sup> Although Provand bitterly contrasted the attitude of the Argentine and Canadian governments in similar cases, and claimed the decision effectively decreed "the confiscation of about £750,000 of our money",<sup>62</sup> the report definitely extinguished serious hopes for the completion of the railway.

There remained, as Provand quickly pointed out, the question of compensation. A flurry of letters from various anonymous "indignant bondholders" appeared that May in *The Times* denouncing the Canadian government's unsympathetic attitude.<sup>63</sup> Surely, they argued, the investors ought to be repaid some of their capital. Even the Governor-General, Lord Aberdeen, hoped that "it may be found possible for some comparatively satisfactory arrangement to be arrived at, so as to avoid an unfavorable impression being created in England".<sup>64</sup> Although Laurier asked the subcommittee to consider the question of compensation, he had privately expressed reservations to minister-without-portfolio R.R. Dobell: "I doubt if this can be granted . . . the very name of Chignecto stinks in the nostrils of the Canadian people. The scheme has been denounced from the first as a job, and I doubt if the Government would have the power to have a vote carried through Parliament for any compensation, let the amount be ever so small".<sup>65</sup> Delivered during the final weeks of 1898, the subcommittee's second report bluntly refused to recommend payment of any compensation and declared there was nothing further to arbitrate. Complaining that "it has more than once happened that where an enterprise which has been aided by the Canadian Government has proved unprofitable to investors there has been a disposition in British financial circles to hold the Canadian Government in some way responsible", the report declared that "investors are expected to look for themselves into the character of enterprises seeking their support". As to this particular project, the subcommittee commented that "its uselessness is well known to the public generally". A more negative tone could not have been adopted. Indeed, when Provand attempted new overtures, Laurier

61 *The Times*, 21 May 1898. The subcommittee consisted of W.S. Fielding, Minister of Finance; Richard Cartwright, Minister of Trade and Commerce; Louis Davies, Minister of Marine and Fisheries; A.C. Blair, Minister of Railways and Canals; J.I. Tarte, Minister of Public Works; and R.R. Dobell, Minister-without-Portfolio. See "Report to Shareholders, August 4, 1899", Laurier Papers, pp. 45674-5, PAC.

62 Provand to Laurier, 31 May 1898, appended to "Report. . .", Laurier Papers, pp. 24210-65, PAC.

63 *The Times*, 12, 16, 17, 21, 26 May 1898.

64 Aberdeen to Laurier, 6 June 1898, Laurier Papers, pp. 23970-1, PAC.

65 Laurier to Dobell, 12 January 1898, *ibid.*, pp. 24722-3. Provand had suggested a figure of £1,100,000 to Laurier (Provand to Laurier, 13 June 1899, *ibid.*, pp. 31923-5) and £2,000,000 to Fielding (*ibid.*, pp. 31926-9).

telegraphed that the "Government have already distinctly stated that they have no proposition to make".<sup>66</sup>

In his 1899 address to shareholders, Provand depicted the investors as "distant voteless suppliants seeking redress for grievances which have arisen not from our default", and pledged to "continue to press our claims on Canada until they are recognized and settled either by direct negotiation or arbitration".<sup>67</sup> Meanwhile, shares and bonds of the company were deposited in a single bank, that of R.B. Martin, while three trustees, Edward Bond, Jacques VanRaalte, and Martin himself, were appointed to negotiate a settlement. Provand was given power of attorney to conduct the actual bargaining.<sup>68</sup> Despite the fact that Provand was to make this quest "his life's work", nothing ever came of it. Repeatedly he visited Ottawa, and each time came home unsuccessful. The government finally grew scornful of his ceaseless entreaties, and recommended that he take his case to court, or arrange a private member's bill to renew the charter, which Finance Minister W.S. Fielding promised not to oppose on first or second reading. Since he had no legal basis for his case, resting it chiefly upon his broadened interpretation of Foster's 1893 reference to "moral obligations", and since he knew any CMTR bill would not pass final reading, Provand hastily declined these offers, while continuing to ask for compensation.<sup>69</sup>

Quite simply, he was bargaining with an empty hand, and one which all concerned knew to be empty. The threat to reveal "the facts" had not carried much weight to begin with, and certainly carried no more after Provand had revealed everything he knew a dozen times to an uncaring audience. Prophecies about the imminent cessation of British investment in Canada sounded hollow a decade after the decision not to renew the subsidy. Finally, the shrill rhetoric of his own weak arguments began to turn upon itself. The constant offer to unload the line site at almost any price belied Provand's claim that the line was a good investment, and by 1908, even he conceded that "there would have been but little traffic" on the railway, although by this time he had managed to turn even this admission into a claim for compensation. "We did not seek the business", he cried weakly, "it was pressed on us by the Government until we were unfortunately induced to supply the money". Moreover, "everything said in regard to

66 Copy of subcommittee report, *ibid.*, pp. 31919-68; "Report to Shareholders, August 4, 1899", *ibid.*, pp. 45674-5.

67 *Ibid.*

68 Provand to Laurier, March 1900, *ibid.*, pp. 43844, 44590; *The Times*, 8 June 1899.

69 For these and other proposals, see Provand to Laurier, 23 January 1901, Laurier Papers, pp. 52570-2, PAC; Provand to Laurier, 4 June 1908, *ibid.*, pp. 141245-7; Provand to Fielding, 19 April 1910, *ibid.*, pp. 170160-3; Provand to Laurier, 23 April 1910, *ibid.*, p. 170315; Laurier to Provand, 26 April 1910, *ibid.*, pp. 170316; Provand to Laurier, 27 April 1910, *ibid.*, pp. 170390-3. For the characterization of Provand's quest, see the excerpt from the *Financial News*, 12 June 1909, in *ibid.*, pp. 140166-9.

unsoundness strengthens our claim, for the scheme was none of ours".<sup>70</sup> Even local authorities came in for their share of the blame. "The Company was misled into undertaking the enterprise and Cumberland County did their share in misleading us, by giving land to the Company".<sup>71</sup> But his cries of injustice, like his many proposals for submitting the matter to an independent arbitrator, were dismissed. In 1911, Laurier's final communication on the subject repeated what his government had been telling Provand since 1899: "I have nothing to add on this subject to what I have previously told you".<sup>72</sup>

For a few brief moments in 1911, A.D. Provand must have dared to hope that his perseverance had been rewarded. As he wrote to the new finance minister, under Laurier "I was made to understand that as the Railway was a Conservative Government promotion, the Company must look to Conservatives for relief".<sup>73</sup> Now he was looking. The new Conservative government was not openly hostile to his claims, as the Liberals had been, yet did hesitate to act upon them. Borden himself expressed to Edmund Osler a desire to "bring the matter to a close one way or another", but noted his finance minister's concern "that if we make any payment it may subsequently transpire that the shares or other securities have been bought up by a few persons who [will] make a profit while the original bondholders will have lost everything".<sup>74</sup> When Provand suggested to Borden that White really did not know enough about the case to deal with it properly, the prime minister coolly told the Englishman to relate his story to White as quickly as possible, since this decision was one only the finance minister could make.<sup>75</sup> From this and other expressions of annoyance with Provand, it seems unlikely that Borden felt any partisan obligations towards the railway, nor does it appear at all possible that Provand's storm of letters altered anyone's perception of the situation. Perhaps it was only a vague sense of responsibility to a former Conservative government which finally impelled Borden to investigate the issue. Certainly it was Foster, still around as Minister of Trade and Commerce, who prepared the report made to the privy council in February 1914, although White signed it first.

For the most part, the report confined itself to a review of the railway's financial history, but it did recommend that a lump sum payment of \$500,000 be

70 Provand to Laurier, 7 May 1908, *ibid.*, pp. 140160-5.

71 Provand to Laurier, 12 August 1902, *ibid.*, p. 67038. The direct cause of this outburst was the County's desire to have the land returned. Three days later, the CMTR Company informed Laurier that the trustees had taken possession of the company's property. *Ibid.*, pp. 67039-40.

72 Laurier to Martin, 23 May 1911, *ibid.*, p. 186310. Upon receipt of a letter from the trustees that March, Laurier had turned it over to Fielding with the comment, "I thought that the Chignecto business was dead", and asked the finance minister to suggest a suitable answer: Trustees to Laurier, 2 March 1911, *ibid.*, pp. 182361-6; Laurier to Fielding, 13 March 1911, *ibid.*, p. 183203.

73 Provand to White, 12 August 1913, Borden Papers, pp. 90870-1, PAC.

74 Borden to Osler, 11 February 1913, *ibid.*, p. 90837.

75 Provand to Borden, 26 June 1913, *ibid.*, pp. 90865, 90866.

included in the budget for distribution “among the persons and in the proportions agreed upon by the majority in the interest of the . . . debenture holders and preferred shareholders, or among such classes and in such proportions as the Governor General-in-Council may deem fair and just”. But the report was never acted upon. On the archival copy, which was Borden’s, the word “stop” has been pencilled immediately before the final paragraph of the typed document, the paragraph which recommended the half-million dollar compensation.<sup>76</sup> Was this key clause struck from the document after discussion? All the historical record shows is that, three months later, Provand was still urging Borden to bring “this long pending matter” to a close, and Borden was replying that the Chignecto claim must await the next session of Parliament.<sup>77</sup> By this time, events on the much larger world stage had altered so drastically as to thrust aside, forever as it turned out, any hope for compensation. “Under present conditions”, wrote Borden on 2 September 1914, “it is quite impossible to give consideration to matters outside of the present war situation”, and in November he pointed out to Provand that the financial strains of war had brought all public works spending to a halt. Shortly after this interview, the trustees acknowledged the point; in the meantime, Provand had died.<sup>78</sup> Negotiations were never resumed.

Years later, lingering doubts about the abandonment of the Chignecto ship railway coalesced into a romantic interpretation of its history. Even the 1931 Surveyor Commission, which concluded not only that a canal at Chignecto would fail to pay even its annual operating costs, but that such a facility would not improve local commerce,<sup>79</sup> failed to dispel the “Maritime Rights” interpretation of the ship railway, the view that an economic venture beneficial to the Maritimes came to naught through lack of federal interest. Yet this view is almost completely wrong.

In the first place, the federal government demonstrated a great deal of interest in the railway, initially encouraging the venture and later acceding again and again to the company’s request for changed contract terms. The latest completion date at which the company would remain eligible for an annual operating subsidy was extended from 1889, first to 1890 with a penalty clause, then without a penalty clause, then to 1893, and finally to 1894. The government attempted to extend the completion date still further, abandoning the measure only when the impossibility of passing such a proposal in the House of

76 Foster to Borden, 23 December 1913, *ibid.*, p. 90914; copy of report (undated), *ibid.*, pp. 90921ff.

77 Provand to Borden, 27 May 1914, *ibid.*, p. 90931; Provand to Borden, 5 June 1914, *ibid.*, p. 90933.

78 Provand to Martin, 18 November 1914, *ibid.*, p. 90978; Trustees to Borden (undated), *ibid.*, pp. 90974-5, contains a reference to the “late Mr. Provand”.

79 *Report of the Chignecto Canal Commission* (1933), copy in WCC, file 275. See esp. p. 13 of this report.

Commons became apparent. In each instance, the time extension was necessitated by the company's inability to raise private capital for the project, and only a federal government promise effectively to pay interest on the invested capital gave reason to hope that the capital might ever be raised. By the time the investors were ready to proceed, mounting political opposition to the railway prevented the government from making further alterations to the contract terms.

This growing political opposition, acknowledged by Ketchum in 1893, apparent to Thompson in 1894, and forcibly impressed upon Tupper two years later, deserves some consideration. Partly it was due to the public opprobrium into which the railway had fallen, and which Laurier cited in 1898 as the ultimate obstacle to additional aid to the CMTR. Early plans for the railway had been greeted by widespread fears that a ship lifted from the water in this manner would simply fall apart, and while Ketchum produced arguments and authorities to prove otherwise, this scepticism provided the base for one sort of political opposition to the ship railway, partisan opportunism. One of the project's most virulent parliamentary critics, J.F. Lister, was later alleged to have admitted "laughingly . . . that Chignecto had been a club with which to beat the government".<sup>80</sup> As delay followed delay, spreading public confusion about the railway's financial position, this opportunism became a self-fulfilling prophecy. But a second level of political opposition also contributed to the demise of the CMTR. From the outset, the government had made clear to the company that it could not expect the operating subsidy before the work had been completed. Mackenzie and Blake warned that the promoters would eventually ignore this contract stipulation, which they did. Whereas the government might be willing to overlook a company's obligations in the interests of completing a work demonstrably of considerable importance, such as the Canadian Pacific Railway, the CMTR hardly deserved similar treatment.

In fact, throughout the period, no one had ever convincingly demonstrated that the Chignecto ship railway would be of much commercial significance. In 1875, the Young Commission had shown that the route could never be of national importance, and even Lawrence's minority report, which argued that the justification for the line would be the regional traffic its own construction might subsequently generate, was unable to identify that traffic. Throughout the 1880s, Ketchum's enthusiastic estimates of potential isthmus traffic were wildly improbable, except on the assumption that the railway would stimulate a shipping boom. For instance, his 1882 estimate that 600,000 registered tons of shipping would use the line annually (an estimate which Tupper cited in introducing the project to Parliament that spring) was equivalent to two-thirds

80 "Note of an Address by A.D. Provand to the Hon. the Council", 8 May 1912, Borden Papers, pp. 178582-98, PAC. Ketchum discussed the keel block question in almost all of his pamphlets; still, see *The Monetary Times*, 23 November 1888.

of the total tonnage registered in the Maritimes that year.<sup>81</sup> Ketchum's vague indications of where this traffic would come from, his expectation that traffic would be considerably lower during the first years of operation, his predictions of a vastly increased Maritime commerce in the 1890s, and the fact that the company had applied for a subsidy to run a line of steamships which was supposed to constitute a major part of the newly-generated traffic, convincingly demonstrate that even the project's chief promoter did not believe current shipping requirements justified a Chignecto ship railway. The ship railway, predicated not upon a stable economy but upon a boom of quite noble proportions, was an euphoric expression of Maritime economic attitudes in the 1880s,<sup>82</sup> and the decline of Maritime shipping in the next decade merely emphasized a fact which had always been apparent to serious critics of the line. Mackenzie doubted its utility in 1882 and in 1896 Peter Mitchell concluded a debate on the railroad by declaring that "this is the first time that I ever saw an important measure of this kind, involving an expenditure of nearly \$4,000,000, pass through this House without anyone being able to show any practical benefits to result from it".<sup>83</sup> By 1898, the gross error of early traffic estimates had become apparent to everyone in Parliament, and a decade later, even Provand conceded the point. Indeed, the popular notion that the ship railway was a victim of the decline of the Maritime economy at the end of the nineteenth century is but a more sophisticated version of the "federal-stab-in-the-back" outlook. The Chignecto ship railway failed for financial, political, and finally economic reasons. While no one of these considerations would have been enough to defeat the project alone, together they made certain its collapse.

To some extent, the romantic interpretation of the CMTR is a legacy of the Maritime Rights fervor. In the early decades of this century, more than one aging politician suddenly recalled that a promise to build a means of transportation across the isthmus of Chignecto had been one of the vague inducements held out to the Maritimes at the time of Confederation.<sup>84</sup> The notion arose that

81 Keith Matthews, "The Shipping Industry of Atlantic Canada: Themes and Problems" in K. Matthews and Gerald Panting, eds., *Ships and Shipbuilding in the North Atlantic Region* (St. John's, 1978), p. 10.

82 See the figures cited by P.C. and L.F. Felt, "Capital Accumulation and Industrial Development in Nineteenth Century New Brunswick: Some Preliminary Comments", in Lewis R. Fischer and Eric W. Sager, eds., *The Enterprising Canadians* (Saint John's, 1979), p. 57. It is worth noting, in an assessment of the ship railway's economic value, that *The Monetary Times* editors saw fit to mention the project only twice during the entire period of its construction, once when work began, and once when it stopped. The latter editorial, on 18 September 1891, refers to the railway simply as "the enterprise from which so much was expected by the people of the Maritime Provinces".

83 *Debates*, 1886, pp. 673-81.

84 See, for example, statements contained in the undated excerpt from *The Busy East*, in WCC, file 269.



central Canada somehow owed the Maritimes this investment, regardless of its economic soundness. This sentiment forms a part of the romantic interpretation of the railway, for it too ignores the extensive parliamentary debates on the project. In 1888, J.V. Ellis warned that the line ought to be regarded as a token act to pacify the Maritimes, since these provinces had other, more pressing needs.<sup>85</sup> Advocates of the romantic interpretation of the CMTR must confront the ironic possibility that the railway diverted resources from more useful projects, and so may have actually contributed to the decline of the Maritime economy.

<sup>85</sup> *Debates*, 1888, pp. 935-41.