
REPORT OF SELECT COMMITTEE

—RE—

COLUMBIA AND WESTERN RAILWAY SUBSIDY.

—:—

LEGISLATIVE COMMITTEE ROOM,
11th June, 1902.

MR. SPEAKER :

Your Select Committee appointed to examine Mr. *F. C. Cotton* as to the negotiations between the Government of British Columbia and the Columbia & Western Railway Company in respect to the substitution of a cash subsidy in lieu of land grants, as outlined in the Queen's Speech at the opening of the spring Session of the Legislature in the year 1900, beg leave to report as follows :—

Your Committee report that they examined Mr. *F. C. Cotton* under oath, and transmit herewith a transcript of his examination.

Respectfully submitted,

JOSEPH MARTIN,
Chairman.

Evidence of Mr. F. Carter-Cotton before a Select Committee of the Legislature, composed of Messrs. Martin (Chairman), McBride, Oliver, Hunter and A. W. Smith.

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MR. F. CARTER-COTTON, sworn ; examined by Mr. Oliver :—

Q.—Mr. Cotton, will you just look at those letters, please. Those are copies of letters passing between your Department, when you were Finance Minister, and Mr. Shaughnessy?
A.—Yes ; I suppose they are correct copies, but that I can't say.

Q.—Substantially correct? A.—Yes ; substantially correct.

Q.—In connection with this Columbia & Western subsidy—you were Finance Minister all the time the Semlin Government was in power? A.—Yes.

Q.—And as such you took the responsibility of introducing the Loan Bill of 1899?
A.—Yes.

Q.—In that Loan Bill, \$800,000 was provided, was it not, for the purpose of substituting a cash subsidy for the Columbia & Western Railway Land Subsidy? A.—Well, that was not mentioned in the Loan Bill. If I remember rightly, the Loan Bill was for \$2,700,000, or \$2,750,000.

Q.—You look at the language there? A.—Yes, \$2,800,000. It was estimated it would take about one and three-quarters of a million dollars to pay off the deficit that then existed when we took office ; the deficit, with the expense of floating the loan, and that would leave something over \$800,000 available, if necessary, to pay this subsidy in cash instead of by land grant.

Q.—The intention of the Government at that time was to substitute the cash subsidy for the land subsidy? A.—Yes, that was the idea we had ; there was nothing definitely settled.

Q.—Now, then, you are reported in the "Colonist" of February 25th, 1899, as having said :—"Hon. Mr. Cotton, in moving the second reading of the Bill to authorise a loan of

\$2,800,000 for specific purposes, explained in detail the object and scope of the measure, and outlined the changes in the financial policy of the Government which had been instituted since the new administration took office. There would be a deficiency of from \$1,700,000 to \$1,800,000 to meet before June next, and the estimates provided for a loan of one and three-quarter millions to make good the sums required. There was also \$800,000 required to provide for the subsidy for the railway from Robson to Penticton." Is that correct? Substantially correct? A.—I believe so.

Q.—That is the report in the "Colonist"? A.—Yes, that is substantially correct.

Q.—Now, had you at this time any communication, verbal or written, with the Columbia & Western Railway Company in regard to this matter? A.—My recollection is that some months previous to that I had a conversation with Mr. Van Horne, when I told him that possibly the Government might desire to make that a cash subsidy instead of a land grant, as there was a strong prejudice in the country against these land grants.

Q.—Then, subsequently to the passing of that Act, between the Session of 1899 and 1900, you had further communication with the Company in regard to this matter? A.—I might explain to the Committee that the Government had a number of complaints and requests from people in the Boundary country that, if it was possible, some of this land should be opened as public land instead of reserved land. I went up to the Boundary Creek District and saw the people there, and after going over the thing with them I agreed with them that it was in the interest of the Province to give a cash subsidy instead of a land grant. I communicated that to Mr. Brown and Mr. Marpole, and I think there were some other C. P. R. officials here at the time; but they did not consider it so favourable to the C. P. R. as a land grant would be, and the matter was left open until the president, Mr. Shaughnessy, came out here. I met him then and discussed the whole thing with him. He did not positively say that he would agree to that, but he gave me the impression that they would be willing under the circumstances to make that change. After that I wrote him a letter setting out what I would do, and that is the letter of the 9th of December, 1899. I pointed out to him in that letter, referring to the conversation that I had had with him and of which I gave him a general outline, that I would like to have the thing settled, so that we could bring a Bill down to the House in accordance with the proposition.

Q.—After these negotiations had passed between yourself and Mr. Shaughnessy, did anything further transpire in regard to this before the meeting of the House? A.—Well, I received a reply from Mr. Shaughnessy, dated the 18th December, in which he speaks of it. (Reads letter.)

Q.—In consequence of that letter which you received from Mr. Shaughnessy, did you make any arrangements with Mr. Brown? A.—I saw Mr. Brown and it was practically settled then that they would be willing to carry out this arrangement; and Mr. Brown had some further communications with them, which, of course, I don't know, but before the House met it was definitely settled that we would bring down legislation in accordance with that proposal, and that the C. P. R. would accept these debentures. I had no further communication with the C. P. R.; the matter was all left to Mr. Brown, and we had a conversation with him. In consequence a Bill was drafted and printed to be introduced into the House, but of course no action was taken. My recollection is that I mentioned the subject on the debate on the Address.

Q.—In consequence of what had taken place between Mr. Shaughnessy and yourself and Mr. Brown and yourself, you had these paragraphs inserted in the Lieutenant-Governor's Speech: "The Columbia & Western Railway Company having completed its line between Rossland and Boundary Creek has become entitled to a land grant of approximately 2,500,000 acres. Preliminary arrangements have been made between my Government and the Railway Company for the substitution of a cash subsidy for the land grant on such terms as will result in a substantial saving to the Provincial Treasury, as compared with the plan adopted in regard to the payment of similar subsidies in the past. By the carrying out of this arrangement it will be possible to throw open for settlement, in the Boundary Creek District, an area of about four million acres now reserved. This would have a most beneficial effect on the development of the district, and will be a source of much satisfaction to the people of the locality."? A.—Yes.

Q.—In the "Colonist" of January 19th, 1900, Mr. Cotton, you are reported at considerable length, but the last paragraph of the report I have marked, and it reads as follows:—

"Hon. Mr. Cotton said that he would have to apply to Mr. Martin Lord St. Leonard's remark to Lord Brougham, that if he knew a little law he would know a little of everything.

He certainly thought that if the Honourable gentleman knew a little more law he would not have drawn the Government into any trouble. If the Honourable gentleman could show the House and the Government that by his legal knowledge they could nullify those Crown grants and avoid the transfer of the land, he had every opportunity to do so. The grants issued were for only a very small portion of the total lands, and the Government would be very glad to receive from the Honourable gentleman any assistance that would enable them honourably to retain possession of the lands that would otherwise go to the Company. There was another matter that Mr. Martin had dealt with in much the same reckless way, and that was the paragraph in the speech that dealt with the proposal to substitute a cash subsidy for the land subsidy to which the Columbia & Western Railway was entitled under the Act passed in 1896. The Honourable gentleman thought his knowledge of the C. P. R. was such that he knew that they would not take the cash unless they were getting the best of the bargain. He said all the best land had been picked out, and the rest was mostly mountainous land not worth having, and he sought to impress the country that the Government were making a most improvident bargain. He would like Mr. Martin to take a little time and study the Act, and to consider some other subjects which were connected with it. Sections 3, 4 and 5 stated that the Government was allowed to sell lands fit for agriculture, and also to allow pre-emptions, and that it should keep a statement of the moneys received, and account to the Company. Therefore, the more land taken up the larger was the fund accumulated in the coffers of the Government, which would have to be turned over to the Company if the Government allowed it to take the land grant instead of a cash subsidy. Mr. Martin forgot that under the Act the Company was to allow mineral prospectors to take up mineral claims, and that the Company was bound to allow these prospectors to take up land and the surface rights at \$5 per acre. There were considerable applications being made already, and everyone who knew the Boundary Creek country must be aware that a large number more would be made, so that even from a money point of view he was convinced that the Province would benefit by the substitution of a cash subsidy. But that was only one part of the matter. The existence of the reserve was working the greatest injury to that part of the Province. (Applause.) Timber lands could not be dealt with. They knew the objections miners and others had to dealing with a company. The Honourable Member for Comox knew that sentiment existed. This was retarding the operations of the District. The people there were anxious for the removal of the reserve by some such action as the Government contemplated, which would allow the whole country to be thrown open, but they should look at it also as to whether it was in the interest of the Province as well as of the Boundary Creek country. He had given the matter a great deal of consideration; he had seen the President of the Canadian Pacific Railway, which was the assignee of the Columbia & Western, and he had made him this proposition:—That the Government should issue in bonds or stock or debentures for the amount of the cash subsidy which might be found to be due, he taking the debentures at their face value. The Government would issue bonds of \$100 each, and the C. P. R. would take them as if they were cash. There would be no discount and no commission for negotiating a loan. That means, as compared with some of the subsidies of the late Government, a saving of about 10 per cent., so that the Railway Company would build 200 miles of road and become entitled to \$4,000 a mile, which would make \$800,000; and the Government could save to the country from \$60,000 to \$80,000 on the transaction."

That \$800,000, I take it, is identical with the \$800,000 you mention you had provided a year before in the Loan Bill? A.—Yes.

Q.—And it was approximately 200 miles for the whole Columbia & Western clear to Penticton? A.—My recollection is that the road to Midway was about 131 miles. In the Loan Bill, which was passed by Mr. Turner in 1898, there was a mistake; the two propositions were reversed; but my recollection is that the road built to Midway is 130 miles, and it would take about 80 miles from Midway to Penticton.

Q.—The constructed mileage from Robson to Midway is 99 miles? A.—You have just got to reverse the two paragraphs.

Q.—During all the time that you were a member of the Government, and during all these negotiations, did any of the C. P. R. officials ever inform you that they had surrendered their rights to build that portion of the line between Midway and Penticton? A.—No, sir.

Q.—They did not? A.—No.

Q.—You never heard of it at the time you were a member of the Government? A.—No; I did not.

Q.—And these negotiations that you carried on were all based on the assumption of building the road clear to Pentiction? A.—Yes. I remember one of the ideas was to make the Shuswap & Okanagan a part of the through line, and I spoke to Sir William Van Horne to that effect, and he said it would be all right. And that meant a saving of \$ a year to us.

Q.—That is, you intended to connect that line of railway by using Okanagan Lake and the Shuswap & Okanagan road? A.—Yes; for years that had been the idea.

Q.—Were you in the Legislature in 1896, Mr. Cotton, when that Columbia & Western subsidy bill was passed? A.—Yes.

Q.—In that Bill there is a clause which stipulates that the subsidy for section 4 of the line shall not be payable until section 5 is built? A.—Yes; that was done to ensure its going to Pentiction. There was quite a discussion over that, and we wanted to make sure of its being a through line.

Q.—At that time it was pretty well ascertained that there were immense bodies of ore in the Boundary Creek District? A.—Yes.

Q.—And you were of opinion that it required a safeguard of that kind to ensure the building of the road to Pentiction? A.—Yes; to enable the Shuswap & Okanagan to become something more than a line running up to a tree stump, which you may say it is now. Sir William Van Horne told me that when the line was put through they would put on a boat that would carry cars right through.

Q.—That is, they would put on barges similar to the plan adopted on the Kootenay Lakes? A.—Yes; on the Arrow Lakes.

Q.—At the time that Subsidy Bill was passed, there was no doubt there was a feeling in the Legislature that they might stop at the Boundary Creek District and not build the other portion of the line? A.—Yes; that was the contract made with Mr. Heinze, not the C. P. R.

Q.—The Columbia & Western Railway Company? A.—The Columbia & Western Railway Company, yes.

Q.—There was no other agreement or arrangement made between the Government, of which you were a member, than that to which you have referred? A.—Not that I know of.

Q.—In relation to this Columbia & Western subsidy? A.—Not that I know of.

Q.—Were you aware, Mr. Cotton, that there had been an agreement made between the previous Government—that is, the Turner Government—and the Columbia & Western for building that portion of the road between Robson and Midway, for the purpose of substituting a cash bonus for the land; an agreement signed on behalf of the railway company but not signed by the Company? A.—No, I never knew about that; that was never mentioned to me.

Q.—The officials of the department never brought that to your attention? A.—No.

Q.—Do you recollect what time of the year it was when you took office? A.—15th or 16th of August.

Q.—Of course you took office immediately after the dismissal of the Turner Government? A.—About a week after.

Q.—An agreement dated 8th of July, the previous administration would have had ample time to complete before they left office? A.—What do you mean?

Q.—This is signed on behalf of the Government — ? A.—Oh, yes; I should think so. Of course that is a thing I could not say.

Q.—That is your opinion? A.—Oh, yes; they had five weeks anyway. But, then, that is a departmental matter that I could not speak about, as I don't know.

Q.—And you say that that agreement was never brought to your attention? A.—No.

Q.—And you had no knowledge of it? A.—No.

Q.—At any time during your term of office did the C. P. R. ever advance an argument that their land grant had been in any way jeopardised by the contract entered into with Mackenzie & Mann for the construction of the portion of the road between Pentiction and Midway? A.—They never said anything to me about it.

Q.—And during all your negotiations with the Columbia & Western, you had no reason whatever to suppose that they had made any arrangements whereby they had surrendered their right to build the fifth and sixth sections of this line of railway? A.—No. I should mention that in conversations I had with Sir William Van Horne the year previous, that is when we came into office, he told me they had not decided exactly which way they would run to Pentiction; it was a question which was the best way to go, as the surveys they had made were not satisfactory about the grade in some places.

Mr. Martin: I understood you to say to Mr. Oliver that the \$800,000 was put in the Loan Act of 1899 because the Government had some thought of making an arrangement with the C. P. R. to change the land grant into a cash subsidy? A.—They had some idea of it.

Q.—Isn't it a fact that they had the right, under the Loan Act of 1897-1898, the Turner Act, to take the \$4,000 a mile—that is, provided they gave it? A.—Not under the Columbia & Western.

Q.—Not under the Columbia & Western Subsidy Act; under that they had a land grant. But under the Loan Act, any road building to that point, from Robson to Boundary Creek, and from Boundary Creek to Penticton, was entitled to a subsidy? My idea was that in case they should decide to take the subsidy, on giving up their land grant, we would be able to pay the subsidy to them? A.—I never heard of that, because they were working under the Columbia & Western land grant as far as we were concerned.

Q.—Yes; but they had that right; it didn't matter what charter they were working under? A.—They started in to build that road under the Heinze contract, and they so carried it right through. You will see there in Mr. Shaughnessy's letter that Mr. Heinze has got to be consulted.

Q.—As far as I understood the case, they could apply to the Lieutenant-Governor in Council for this \$4,000 a mile, and in another section of the Loan Act of 1898 it states that if a road avails itself of this it must give up its land grant? A.—Yes; that was put in by the Opposition of 1897, because at that time the Columbia & Western charter was in operation, and they were building the road under that charter. Then another Bill came in, which gave the Lieutenant-Governor in Council permission to give a cash subsidy to the same road, and it was thought that there might be some chance that they could claim both.

Q.—Therefore, when you passed the Act of 1897, you did not intend to debar these people; they had as much right as anyone else to come along and claim it? A.—I don't agree with that.

Q.—These were the only people that had a land grant, that had a right to build over that particular territory, and that provision was put in to prevent them claiming both cash and land? A.—The V. V. & E. had a charter over that too; they might come in and claim that subsidy.

Q.—These people were the only people who had a land grant for that territory, so, as the Legislature contemplated that they would be quite at liberty to come in and claim that \$4,000 a mile, this provision was put in; otherwise, it would have been silly to put it in. I don't mean that they had a right, as a matter of right, to get it, but they were quite at liberty to come in and apply for it to the Lieutenant-Governor in Council, and the Lieutenant-Governor in Council would be quite at liberty to grant it to them. Isn't that so? A.—No; that was not my impression, as far as the Columbia & Western was concerned; indeed, my recollection is that Mr. Heinze had picked out some of the sections, that is, from Trail to Rossland.

Q.—Now, in this Speech from the Throne, you say that the Columbia & Western have become entitled to a land grant to Boundary Creek; but under that provision that was put in the Act they were not to be entitled to this land grant until they got to Penticton. How can it be said in the Speech from the Throne in 1900 that they were entitled to the land grant to Boundary Creek? There it is, distinctly, Boundary Creek, and, as far as you knew at that time, that was as far as they contemplated building? A.—They gave us to understand that they were going on. The question was that their surveys were not satisfactory on the road to Penticton.

Q.—Now, your letter of the 9th December reads (reads letter); so that this bargain had nothing whatever to do with the land grant between Midway and Penticton? A.—Oh, yes; excuse me.

Q.—(Reading letter again) That's right; yes. So it was confined to that? A.—That was the only part built at the time.

Q.—But it was not earned? A.—The amount provided in that Loan Act was for the whole railway of about 200 miles. The whole thing was arranged, the Act was drafted, and would have been put through the House if the session had gone on.

[A discussion ensues between Mr. Martin and Mr. Cotton on the question of whether the Company were entitled to the land grant, and the construction to be placed on the language in the Speech from the Throne in 1900, stating that the Company had become entitled to their land to Boundary Creek.]

Mr. McBride: Was that the only reason urged, that the surveys were deficient? A.—They were working on the road to Midway at that time.

Mr. Martin: Then, in December, 1899, the road was not—? A.—Completed for traffic.

Q.—Then I can't understand how you could say in the Speech from the Throne that they had earned their land grant to Boundary Creek? A.—We dealt with the thing as a whole; they had earned the land grant, but—

Q.—You did not propose to commute anything but the two and a half million acres, but under that speech you were going to commute the whole land grant; you would commute four millions of acres? A.—The road to Midway at that time was practically built. But the object of that was that all these lands were locked up and we could not do anything with them.

Q.—It was quite open to the Government to bring in a new Bill, doing away with the necessity of their going to Penticton? A.—In the absence of any legislation, the Government could not give any land to the Company without the road being built to Penticton.

Mr. McBride: When Section 3 was completed they were entitled to the land for Section 3, but they were not entitled to the land for Section 4 until Section 5 was built? A.—That is the case.

Mr. Oliver: The land was earned all right, but was not payable until Section 5 was built.

Mr. Martin: But Mr. Cotton was preparing to pay it right then and there.

Mr. Cotton: Oh, no; excuse me.

Mr. Martin: The language is "has become entitled." They were pressing to get authority from the Legislature to commute that into twenty cents a mile (an acre).

Mr. Cotton: Four thousand dollars a mile. It was the idea to give them a cash subsidy. I only proposed to give them half that amount on the line from Trail, although they have since changed it into a broad gauge.

Mr. McBride: Your idea was that the property was all locked up—? A.—Yes.

Q.—And you wanted to open it up for settlement? A.—Yes. I may say that, so far as the Semlin Government was concerned, there was no information before them that there was any arrangement to substitute Mackenzie & Mann for the C. P. R.

Q.—What do you think of the position at present? Their land grant has lapsed, and the question before the House at present is, should they have their land grant conveyed to them for the line they have actually built?

Mr. Oliver: I think that is a question for the House to decide.

Mr. Cotton: That is merely a question for my opinion. I don't think I should go into these things; that would raise a question of policy. I can only say that I never had any idea that there was anything intervening to prevent the C. P. R. from going on with the road.

Q.—Do you mean to say that it was not your intention to give any of that land until they had built the Penticton section? A.—No. The idea was that the provisions of the Subsidy Act should be carried out; only, instead of a land grant, we should give a cash subsidy, giving \$2,000 a mile for the narrow gauge and \$4,000 for the broad gauge.

Mr. Martin: Didn't you have any conversation with Mr. Brown prior to the time we cancelled these Mackenzie & Mann contracts with regard to an arrangement? A.—No, they were cancelled very quickly after we came in.

Q.—I remember it most distinctly, with Brown and myself, telling me, when I was Attorney-General, about the arrangement Mr. Eberts speaks about. That came up in connection with an application they made to us, and I think we did see that? A.—The Government never saw that.

Q.—But what I remember now is, you will recollect there was an application made to us to substitute the security they had put up, \$50,000 bonds; they wanted to sell the bonds, and they made an application to us to substitute the bonds for stock, and we acceded to that? A.—That was done before we came in.

Q.—That is correct? A.—But we did not accede to it.

Q.—Oh, yes? A.—We did; we acceded to what had been agreed to.

Q.—I think you will find there was an Order in Council passed substituting \$75,000 common stock of the C. P. R. for the \$50,000 bonds. We apprehended that they would need this \$50,000 to sell their whole stock. And when Mr. Brown came to see me about substituting these bonds, he told me then that an arrangement had been made between the Government and Mackenzie & Mann, by which they were to stop at Midway.

Mr. Oliver: Don't you think that, as far as what knowledge you have of the matter, the House is the proper place to deal with it?

Mr. Martin: The only reason I refer to it is that I merely wish to see what Mr. Cotton's recollection of it is. Of course, I don't wish to be considered as giving this as evidence. (To Mr. Cotton): You don't remember Mr. Brown having any such conversation with you at all? A.—No.

Mr. Martin: I may say I did not remember it until just now.

Mr. Cotton: I know my idea was that they intended to build to Pentiction. I remember distinctly Mr. Van Horne telling me that they were dissatisfied with their surveys. It was not decided whether they would go up by Dog Creek or not.

Mr. Oliver: There was absolutely no doubt in your mind; your negotiations were all based on the road right through to Pentiction? A.—Certainly.

Q.—And there was no reasonable doubt but what it was so understood by the Columbia & Western officials? A.—My idea was that that was the way they understood it.

Q.—And I take it that that \$800,000, at \$4,000 a mile, would cover, approximately, the whole distance? A.—Provision was so made.

Mr. Martin: I think Mr. Cotton will agree with me that that \$800,000 was put in the Loan Act of 1899 as a matter of precaution; not that we were bound in any way to pay it, but that the Government had the option; the two together had an option; they could hang on to their land grant if they wished, or if they wished they could give up their land grant and accept this cash bonus.

Mr. Cotton: That is shown by my negotiations.

Mr. Martin: So there was nothing at all, so far as this is concerned, with regard to the question of their building to Midway; we contemplated the whole thing.

Mr. Cotton: We contemplated the whole thing; that is why the \$800,000 was provided.

Mr. Oliver: You contemplated bonusing the road with cash right through to Pentiction? A.—Yes.

Q.—And the negotiations between you and Mr. Shaughnessy were on that basis? A.—Yes.

Q.—And you have already stated in your evidence that you never heard anything about this arrangement whereby the Company surrendered their rights to build through to Pentiction? A.—Not to Mackenzie & Mann.

Q.—You said you knew nothing about it; there was no agreement to you surrendering their rights? A.—No.

Q.—And it was never said to you by the Columbia & Western officials that they had such an agreement? A.—No.

Q.—In view of that agreement would you consider that the Company had surrendered its right to build the fifth and sixth sections of the road clear to Pentiction? A.—“Provided nothing herein contained shall affect the right of the contractors to any land grant to which”—

Q.—Well, in the face of that express provision, would you consider that they had surrendered their right to build the other portion of the road? A.—That is a legal question which I don't know that I can answer. It purports that they had surrendered it, but I am not a lawyer and I would not say that that was an effectual surrender.

Mr. McBride: In Bill No. 87, which is now before the House, there is a preamble, which is as follows:—(Reads preamble.) Now, you took office in the month of August, 1898, and you remained in office up to February, 1900. In all that time did the Company, either directly or indirectly, to your knowledge, set up any such contention as is mentioned in the preamble to this Bill? A.—No; I negotiated with them, as you see, on the basis of a through line.

Q.—Are you prepared to swear now that they never set up the contention which is expressed in this preamble? A.—Not to me; not to my personal knowledge.

Q.—Now, if this contention had been made to the Government of which you were a member, occupying as you did a very prominent position in it, and being always identified with the Department of Lands and Works, would it not have come to your notice? A.—I should think so.

Q.—In your conversations with Mr. Shaughnessy and Mr. Brown and Sir William Van Horne, was there ever any suggestion made of the Company's intention as outlined in this Bill? A.—No, sir.

Q.—And all your negotiations were for the purpose of having their line constructed to Pentiction? A.—That is what we made provision for.

Q.—Now, when you say in your Queen's Speech of 1900 that the Company are entitled to 2,500,000 acres of land, what do you mean? A.—Well, we meant that when they built

that road they had really earned that money, and, as I say, the Bill that was drafted provided that the Company should put security up, according to the Legislature, only, that instead of a land subsidy, a cash subsidy should be given.

Q.—Look at that section. Do you say they had earned the land? Earning the land and securing the Crown grant for it were two different things in the opinion of the Legislature, at the time of the passing of that Act; isn't that right? A.—The word earned is used here. The Bill did not propose to exempt the C. P. R. from any conditions they were under, but only substituted money for land; all the other conditions were just the same.

Mr. Hunter: One of them being to build the line to Penticton? A.—If you read that cash instead of land, you will find the two Bills were just the same.

Mr. Oliver: Your Bill was identical with the Subsidy Bill, only you substituted cash for land? A.—Yes.

Q.—And the Company had agreed to that with you? A.—Yes. There was an essential difference in the terms of the cash bonus which I proposed to make. Under the old subsidy the Government had to provide the whole of the money; if they only got 80 cents, they had to make up the difference, but under our Bill they had to take internal or Provincial bonds, which meant a large saving to the Government.

Mr. McBride: Do you remember how much cash it was proposed to hand over at that particular time? A.—No. None.

Q.—Not one cent of it; you intended to hand over some? A.—We just would hand to them what they had earned, as we would Crown grant over land.

Q.—If it had been agreed to do that? A.—Yes.

Q.—It never was; the Lieutenant-Governor in Council never agreed to do that? A.—Yes; the Executive Council agreed to that, and the C. P. R. agreed to it, and I was authorised to do it when the railway was actually built.

Mr. Martin: The Loan Act had two sections, one from Robson to Midway and the other from Boundary Creek to Penticton? A.—Of course that is where we disagree. I always held that we dealt with the Columbia & Western under the Columbia & Western Aid Act.

Q.—When we borrowed that \$800,000 we anticipated that we might decide to change the land for a cash subsidy; we anticipated that? A.—The C. P. R. didn't want to do it at first.

Q.—Finally you agreed that you would do it, and the only reason you wanted to ask for legislation was that you did not intend to give them \$4,000 in cash, but in stock, otherwise it could have been done by the Lieutenant-Governor in Council; the money had been borrowed, and you were authorised in every way to do it? A.—I would not agree to that, because, I say, we always worked under the Columbia & Western Act.

Q.—I say you had power to do it; I am not speaking of what was done so far as the Legislature was concerned; they had authorised you to do it, to give \$4,000 a mile to this Company, provided they gave up their land grant; isn't that so? A.—No, I don't agree with that at all.

Q.—If we hadn't the power to spend \$800,000 under the Loan Act of 1898, why did we borrow it in 1899? A.—You will find that Mr. Turner, in all his loan Acts, took power for more than he borrowed.

Q.—Part of our \$2,800,000 which we borrowed was this \$800,000. You will see, if you will turn up your speech, that there is a contingent liability under the Loan Act of 1898 to pay out \$800,000 in bonuses? A.—If there was a liability, it was a matter of policy; it would not be a liability until we had agreed to do it; not that we might have to do it, but that we might choose to do it.

Q.—I don't say that we had agreed to do it, and while I was in the Government we never did agree to do it, but we contemplated that we might decide to do it, and now we had the power to do it with regard to the other sections? A.—With all due respect to you as a lawyer, Mr. Martin, I always held that we had no power to change that Columbia & Western Act without going to the Legislature, because we were acting entirely under the Columbia & Western charter.

Q.—There was no other liability for this \$800,000? A.—We borrowed it as a precautionary measure.

Q.—For that and nothing else? A.—We had the power to borrow \$800,000; we only required \$1,750,000 to pay off our deficit.

[After some discussion between Mr. Martin and some members of the Committee and Mr. Cotton on the impressions of Mr. Martin and Mr. Cotton on this point, —]

Mr. Oliver: In these negotiations with the C. P. R. did you have any idea at all of paying them cash for that portion of the road to Midway and stopping there? A.—No, no; they would not have got the cash at that time; they would have only got for No. 3, because the other would have to wait until they got to Pentiction.

Q.—Whilst in your letter you refer to the line to Midway, the actual negotiations that you based your Bill on, that you say you had printed, was to cover the whole road from Rossland to Pentiction? A.—To substitute cash for land.

Q.—For the whole Columbia & Western Railway? A.—You must remember that at that time there was no other railway; we had wiped out Mackenzie & Mann; then, of course, at this time the Company had plenty of time to go on with the road to Pentiction.

Mr. McBride: After all, what strikes me as the sum and substance of this whole case is: What effect, if any, did the action of the Government in 1898 have on the legislation passed in 1896 with regard to the lands appropriated for section 4? A.—I don't understand exactly what you mean.

Q.—I want to put this in the form of a question, and I want you to grasp the question so as to crystallise the whole thing from my point of view, if I can. Well, now, did your Government intend to deal with this proposition by acknowledging that the agreement made in 1898 had displaced the condition of the Act of 1896, by which the lands would not be granted until section 5 was built. Now, there is the whole thing in a nutshell? A.—What do you mean by the agreement of 1898?

Q.—Between the Turner Government and Mr. Mann and Mr. Shaughnessy? A.—No, because we cancelled that.

Mr. Oliver: That agreement is signed by Mr. Shaughnessy on behalf of the Columbia & Western Railway Company. You say you had no knowledge of its existence until a few days ago? A.—Not until I read it a few minutes ago.

Mr. Martin: Wasn't it in 1899 that that subsidy of \$4,000 a mile for the road west of Midway was repealed, abolished? A.—West of Midway.

Q.—You say you contemplated giving them \$4,000 a mile up to Pentiction, as provided by the Loan Act of 1898, and was not there an Act passed in the session of 1899 wiping out all the Loan Act subsidies, except to Midway? A.—Under the Public Loan Act. As I have told you, I have always understood that that was under the Columbia & Western Act.

Q.—But there was no cash subsidy under the Columbia & Western Act, and all the 1898 subsidies were wiped out? A.—This was in 1896.

Q.—The 1898 subsidies were wiped out in 1899? A.—I don't know; I can't tell you.

Q.—How did you propose to give them one? A.—I never said anything of the kind. I have said all along that we were dealing with the Columbia & Western Subsidy Act of 1896, and that had nothing to do with the Loan Act.

Q.—In the year 1899 there had been built a railway by the Columbia & Western people from Rossland to Midway, pretty nearly to Midway, partly built, and towards the end of the year completed? A.—Yes.

Q.—Now, as a matter of fact, Mr. Cotton, to show you we did contemplate acting on the Loan Act, 1898, with regard to the Columbia & Western Railway, when we repealed the whole of the Loan Act, 1898, we excepted that portion up to Midway in these words: "The said chapter 24 of 1897 and chapter 30 of 1898 are hereby repealed except so far as the same affect and provide for a subsidy of not more than four thousand dollars per mile for a standard gauge railway from Robson to the Boundary Creek District." That is continued intact; kept there for what purpose—to give it to some other railway, or to the Columbia & Western if we saw fit? A.—That gave us an option.

Q.—Then what is the reason of your saying that you only dealt with the line of the Columbia and Western? You didn't need to go to the Legislature for that.

[After some further discussion between Mr. Martin and Mr. Cotton as to their personal views on the effect of the repeal of the Loan Act, 1898, —]

Mr. McBride: There seems to be some misconception, either on your part, Mr. Cotton, or that of our chairman, with regard to the view that the Committee should take of these things. Now, I want to get your opinion. You are giving evidence here with regard solely to the provisions of the Columbia and Western Act, 1896, and the Columbia and Western Aid Act, 1896? A.—Yes.

Q.—Both of which Statutes are intact, save that the land grant has had to be revived by two or three amending Acts. But, Mr. Cotton, your evidence on this matter is based entirely on the provisions of these two Acts, and the work that the railway Company has done under them. Is that right? A.—Yes.

Q.—And you look upon it as a matter of fact separate and apart from the provisions of the Public Works Loan Act, 1897-1898? A.—Certainly, because, under the provisions of the Public Works Loan Act, it is admitted now by this agreement that Mackenzie and Mann were interjected into the matter, and afterwards we threw them out; but it does not affect the C. P. R. at all, because they were going on all the time, and up to the year 1899 they still held that they were entitled to the land grant.

Mr. Martin: Do you think that the Turner Government intended to give a cash subsidy to Mann and Mackenzie, and also to give the C. P. R. a land grant up to Penticton?

Mr. Cotton: No, they intended——

Mr. Martin: Wasn't it the understanding with the C. P. R. that they were to abandon their right to build to Midway?

Mr. Cotton: I can't say that, because I never saw or heard of that agreement till this week. I never heard of it, and I am quite certain Mr. Semlin, as Chief Commissioner, never heard of it.

Mr. Martin: We heard of the agreement with Mackenzie and Mann.

Mr. Cotton: But there is nothing in the agreement with Mackenzie and Mann to show that they had taken away these conditions from the C. P. R., especially as at that time the C. P. R. and Mackenzie and Mann were not working cohorts.

[After some informal discussion between the members of the Committee they then adjourned.]

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