British Columbia's campaign for better terms, 1871 - 1907

Harold Percival Johns
BRITISH COLUMBIA'S CAMPAIGN FOR BETTER TERMS, 1871-1907.

by

Harold Percival Johns

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BRITISH COLUMBIA'S CAMPAIGN FOR BETTER TERMS, 1871-1907.

CHAPTER I.

From Colony to Province.

"It shall be lawful for the Queen, by and with the advice of Her Majesty's Most Honourable Privy Council, on Addresses from the Houses of Parliament of Canada, and from the Houses of Newfoundland, Prince Edward Island, and British Columbia, to admit those Colonies or Provinces, or any of them, into the Union on such terms and conditions in each case as are in the Addresses expressed and as the Queen thinks fit to approve, subject to the provisions of this Act...."

It was by virtue of this section of the British North America Act, 1867, that on May 16, 1871, Her Majesty Queen Victoria assented to the "Terms of Union" by which British Columbia emerged from the Colonial to the Provincial status. Inasmuch as it is the purpose of this thesis to discuss the development of the movement in the Pacific Province for the revision of these Terms, particularly as they affect the financial interdependence of the federal and local governments, the chief features of the agreement of 1871 are here set forth:

"1. Canada shall be liable for the debts and liabilities of British Columbia existing at the time of the Union.

"2. British Columbia, having not incurred debts equal to those of the other Provinces now constituting the Dominion, shall be entitled to receive, by half-yearly payments in advance, from the General
Government, interest at the rate of five per cent. per annum on the difference between the actual amount of its indebtedness at the date of the Union and the indebtedness per head of the population of Nova Scotia and New Brunswick (27.77 dollars), the population of British Columbia being taken at 60,000.

"3. The following sums shall be paid by Canada to British Columbia for the support of its Government and Legislature, to wit, an annual subsidy of 35,000 dollars, and an annual grant equal to 80 cents per head of the said population of 60,000, both half-yearly in advance; such grant of 80 cents per head to be augmented in proportion to the increase in population, as may be shown by each subsequent decennial census, until the population amounts to 400,000, at which rate such grant shall thereafter remain, it being understood that the first census be taken in the year 1881.

"5. Canada will assume and defray the charges for the following services:
A. Salary of the Lieutenant-Governor:
B. Salaries and allowances of the Judges of the Superior Courts and the County or District Courts:
C. The charges in respect to the Department of Customs:
D. The postal and Telegraphic services:
E. Protection and encouragement of fisheries:
F. Provision for the Militia:
G. Lighthouses, buoys, and beacons, shipwrecked crews, quarantine and marine hospitals, including a marine hospital at Victoria:
H. The Geological Survey:
I. The penitentiary.
And such further charges may be incident to and connected with the services which, by the "British North America Act, 1867", appertain to the General Government, and as are or may be allowed to the other Provinces.

"7. It is agreed that the existing Customs tariff and excise duties shall continue in force in British Columbia until the railway from the Pacific Coast and the system of railways in Canada are connected, unless the Legislature of British Columbia should sooner decide to accept the tariff and excise laws of Canada. When Customs and excise
duties are, at the time of the union of British
Columbia with Canada, leviable on any goods,
wares, or merchandises in British Columbia, or
in the other Provinces of the Dominion, those
goods, wares and merchandises may, from and after
the Union, be imported into British Columbia, on
proof of the payment of the Customs and excise
duties leviable thereon in the Province of export-
ation, and on payment of such further amount
(if any) of Customs or excise duties as are
leviable thereon in the Province of importation.
This arrangement to have no force or effect after
the assimilation of the tariff and excise duties
of British Columbia with those of the Dominion.

The Government of the Dominion undertakes to
secure the commencement simultaneously, within
two years from the date of the Union, of the
construction of a railway from the Pacific towards
the Rocky Mountains, and from such point as may be
selected, east of the Rocky Mountains, towards the
Pacific, to connect the seaboard of British
Columbia with the railway system of Canada; and,
further, to secure the completion of such railway
within ten years from the date of the Union.

And the Government of British Columbia agree
to convey to the Dominion Government, in trust,
to be appropriated in such manner as the Dominion
Government may deem advisable in the furtherance
of the construction of the said railway, a similar
extent of public lands along the line of railway,
throughout its entire length in British Columbia,
not to exceed, however, twenty (20) miles on each
side of line, as may be appropriated for the same
purpose by the Dominion Government from the public
lands of the North-West Territories and the
Province of Manitoba: Provided that the quantity
of land which may be held under pre-emption right
or by Crown Grant within the limits of the tract
of land in British Columbia to be so conveyed to
the Dominion Government shall be made good to the
Dominion from contiguous public lands; and provided
further that until the commencement within two
years, as aforesaid, from the date of the Union,
of the construction of the said railway, the
Government of British Columbia shall not sell or
alienate any further portions of the public lands
in any other way than under right of pre-emption,
requiring actual residence of the pre-emptor on
the land claimed by him. In consideration of
the land to be so conveyed in aid of the con-
struction of the said railway, the Dominion
Government agree to pay to British Columbia,
from the date of the Union, the sum of
100,000 dollars per annum, in half-yearly
payments in advance.

"12. The Dominion Government shall guarantee the
interest for ten years from the date of the
completion of the works, at the rate of five
per centum per annum, on such sum, not ex-
ceeding 100,000 sterling, as may be required
for the construction of a first class graving-
dock at Esquimalt.

"13. The charge of Indians, and the trusteeship
and management of the lands reserved for
their use and benefit shall be assumed by
the Dominion Government, and a policy as
liberal as that hitherto pursued by the
British Columbia Government shall be con-
tinued by the Dominion Government after the
Union.

To carry out such policy, tracts of land
of such extent as it has hitherto been the
practice of the British Columbia Government
to appropriate for that purpose shall from
time to time be conveyed by the local Govern-
ment in trust for the use and benefit of the
Indians, on application of the Dominon
Government; and in case of disagreement be-
tween the two Governments respecting the
quantity of such tracts of land to be so
granted, the matter shall be referred for
the decision of the Secretary of State for
the Colonies.

"14. The Constitution of the executive authority
and of the Legislature of British Columbia
shall, subject to the provisions of the
'British North America Act, 1867', continue
as existing at the time of the Union until
altered under authority of the said Act, it
being at the same time understood that the
Government of the Dominion will readily con-
sent to the introduction of Responsible
Government, when desired by the inhabitants
of British Columbia, under authority of the
Secretary of State for Colonies, to amend the existing constitution of the Legislature by providing that a majority of its members shall be elected."(1)

In addition to the above conditions, the Federal Government further agreed to provide fortnightly service between Victoria and San Francisco, and twice weekly boats between Victoria and Olympia; to provide suitable pensions for Her Majesty's servants in the colony whose positions would be affected by the political changes; and to use its influence to secure the continuance of the Naval Station at Esquimalt. The remaining sections of the "Terms of Union" dealt with B.C.'s representation in the two Houses of Parliament.

The question of the finality of such a settlement has but one answer. The framers of the Union may or may not have regarded the compact between the several Provinces as final; but almost from its acceptance it was not treated as such and in truth could not be so. As Sir Wilfrid Laurier himself said, in moving the address for the revision of the "B.N.A. Act" in 1907, "There is no other finality in these matters but the will of the people, the will of Parliament itself". (2) Treaties between political groups are subject

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(2) Canadian Hansard, 1907; pp. 5393-5395.
to revision and are in their essence different to agreements between individuals in that respect. Precedents for this statement are not wanting in Canada. When Nova Scotia's demand for better terms was being debated in the Dominion House of Commons, Edward Blake declared that any alteration of the existing act by the Canadian Parliament was impossible because the Confederation Act was an Imperial statute and could be altered only by that body, and further that any alteration of the existing relation between the Dominion and a provincial government was injudicial because it would do injury to the other provinces of the union.\(^1\) The House, however, sustained the Government in the matter and the terms were altered. Again, when the bill changing the terms came before the Senate, Senator Sanborn moved an amendment "that inasmuch as it involves a change of the basis on which all the provinces entered Confederation, such change cannot with safety be made except upon consent of each Province so confederated and by the action of the Imperial Parliament".\(^2\) The amendment was defeated 32 to 12. It cannot therefore be said that the significance of this alteration and the repercussions involved were not duly considered by Parliament.

Thus both Houses had committed themselves in the matter of

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\(^{1}\) See footnote No. (1) on p. 7.

\(^{2}\) Journals of the Senate of Canada, 1869; Vol. II, pp. 223, 224, 225.
altering the Confederation Terms before the Dominion was two years old; both had declared emphatically that the B.N.A. Act was not "final and unalterable".

Again the following year, Blake led an Opposition attack upon the Nova Scotia amendment, urging the Commons to petition Her Majesty to cause a measure to be submitted to the Imperial Government providing that the Canadian Parliament "shall not have power to disturb the financial relations established by the B.N.A. Act between Canada and the several Provinces, as altered by the Act respecting Nova Scotia".(1)

Speaking in reply, Sir John A. Macdonald said that while the opinions of the Law Officers in England were not infallible, "still they must be listened to with every respect". But, quite apart from this, Responsible Government, by its very nature, insured Parliament complete control of its own finances; otherwise it was meaningless. It gave the legislature "the right to do what it liked with its own, to raise such revenues as it thought proper, to expend that money as it thought proper, to misuse it if it thought


An unbroken series of Canadian Hansard is not obtainable until after 1875. For the session of 1869 no such publication is obtainable; consequently Blake's objections, referred to on p. 6, must be verified elsewhere. Blake's arguments in 1869 are discussed in the debate of 1870, in detail, however. (Op.cit.pp. 768-792)
proper. No authority could prevent it, and it would be an infringement of the principles of responsible government if the case were otherwise."(1) Continuing, the Prime Minister counselled:

"All had heard of the struggles of nations for liberty; and of the English patriots not fearing to wade through blood and war. They (the Opposition) saw how the Colonial system had grown up from a bureaucracy to responsible government, won by persistent exertions. But history was silent on any case but this, where a people said they had too much liberty and were not fit to be trusted with their own money, like a lunatic, feeling the fit coming on him, asking to be manacled. A people which considers itself a nation which sometime thought fit to walk alone, they (the Opposition) asserted was not fit to spend its own money."(2)

Assuming therefore that the "Terms of Union" are subject to revision, the problem remains one of method. In the bargaining which any such change would obviously necessitate, are the provinces to be regarded as a group acting collectively, and agreeing as a body with the federal government respecting the terms of one another? Is it within the competence of the provinces to dictate terms which another province must accept at the hands of the national government? Or is each province subject to a separate and individual treaty with the general government in which it is the inalienable right of each to negotiate and sanction changes with the other party to the agreement. The objections of

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(2) Ibid., p. 782.
Mr. Blake to the alteration of Nova Scotia's terms and Senator Sanborn's amendment seem to foreshadow these questions and the difficulty with which the Canadian people attempted their solution.

These are questions, however, which in 1871 lay with the future alone. More timely, perhaps, is the question: Why did British Columbia accept union and the terms offered? One urgent reason was doubtless the necessity of "going somewhere" for financial assistance. Poor business conditions, and a burdening colonial debt, increased by an exorbitant Civil List naturally urged those in the colony to consider any new arrangement with some sympathy. Attorney-General Crease, in moving the consideration of the Union Terms, described these conditions:

"The circumstances, political, geographical, and social under which we are at present placed, compel us to political movement in one direction or another, and the question is now - In what direction shall we go? ..... We are not prosperous. Population does not increase. Trade and commerce languish; coal mines do not advance; agriculture, though progressive does not go forward as it might. The settlement of the country, though increasing, yet falls short of just expectations. No public works for opening the country are on hand, and the general lack of progress (that is, proportional to the extraordinary resources of the Colony) is everywhere apparent. And why is this? It is not, as some allege, because of the particular form of government we at present enjoy (if it were, Confederation in that would effect a change). It has among other things a Public Debt altogether disproportioned to our means."(1)

(1) "Debate on the Subject of Confederation with Canada", reprinted King's Printer, Victoria, 1912. P. 7.
British Columbia's Public Debt at Confederation was given at $1,000,405(1) and the actual population of the new province was made up of but 8,576 whites. There were 462 negroes, 1,548 Chinese, making a total of 10,586, apart from the estimated 35 to 40,000 Indians.(2) Even more surprising was the sum spent annually on salaries. The Yale Convention of 1868 had comprehensively complained of this evil. The expenditure of $560,159 in 1867, compared with an income of $475,250 is typical. And of this amount only $52,000 was expended in public works. (3) Such conditions were obviously intolerable. Some found the remedy in annexation, while others had consistently urged union with British North America as the only satisfactory solution. It was the active support of Governor Musgrave and the Imperial Government which undeniably precipitated acceptance of the latter plan, just as Governor Seymour's opposition had postponed it. And one suspects that Attorney-General Crease was quite as aware of the Imperial Government's wishes in the matter in drawing his gloomy picture as he was of any

(1) Commons Sessional Papers, No. 18, Vol. 4, 1871.


immediate danger of annexation.(1)

It was the hope of forever eliminating Imperial intervention and ridding the Colony of that very type of government which Mr. Crease thought did not in any way account for conditions, that was so indelibly imbedded in the minds of a large proportion of the population as an advantage offered by Confederation which could not lightly be turned aside. In an editorial on the eve of the great change, the British Colonist echoed these feelings: "Half of what the people of British Columbia have endured would have driven most peoples similarly situated into the bosom of the neighbouring republic. But the present occasion is more suggestive of joyous hopefulness in the future than a disagreeable retrospect of circumstances that one would fain bury with a departing system."(2) Why? The next day's editorial "Confederation Complete" held the answer: "It will release us from the red-tape and sealing wax of Downing Street,"--and the Colonist added, with a rare touch of prophecy--"but then it will draw us nearer to the throne."(3)

(1) One of the government appointees paid under the "Civil List", Mr. Crease had opposed other Confederation resolutions (Confederation Papers, p. 15). He also opposed a motion proposing that the majority of the Council be elected members (British Colonist, Dec. 23, 1868).

(2) The "British Colonist", July 19, 1871, p. 2. The "British Colonist", later the "Victoria Daily Colonist" will hereafter be referred to as "Colonist".

(3) Colonist, July 20, 1871, p. 2.
Other advantages offered by Confederation were freely discussed at the time, such as the increased public credit it would afford, the possibility of trade expansion and the probable attraction of population, the greater protection it offered—and above all, indeed at the very basis of these, the offer of an early rail connection with the Eastern Provinces.

But obviously in 1871 these advantages were but mere hopes for the future. The real effect of Confederation in operation was still very much a matter of conjecture, for the union of sparsely developed provinces separated by an almost unbroken wilderness, was a "leap in the dark" into an unknown almost without parallel in history. There was no chart for such a hazardous financial course as it involved. It is conceivable therefore, that each government had obligated itself to fulfil agreements for which there was no guarantee of its ability to do so. Time was to prove that both had.

The Government of British Columbia on its part, found itself unable to live within the means prescribed for it by the Union Terms. Naturally the Province came in time to regard the difficulty to be in some inherent inequality within the Terms themselves, and therefore to seek a more equitable arrangement with the Dominion Government.

To combat this request for a special consideration
of her difficulties, there was a surprisingly strong feeling in Eastern Canada that the Pacific Railway already constituted a special treatment such as no other province enjoyed and was a final settlement in that regard—a gigantic public enterprise undertaken solely for British Columbia as the price of that Province's entry into Confederation and that as such it stopped the Province from seeking further favours, financial or otherwise. This eastern Canadian complex is not hard to understand. "A very general opinion was that it (the Railway) would cost $200,000,000 in cash and there were estimates as high as $360,000,000. Such expenditure was unthinkable at the time, and far beyond the resources of the country. A large section of the people and many of the public men of the day were of the opinion, that the railway was for the especial and exclusive benefit of British Columbia; that the cost was entirely beyond the financial ability of the Dominion; that the railway was to be constructed through a country that was almost wholly a wilderness, and that its operation would involve a great annual loss; that British Columbia, owing to sparsity of population and rugged exterior, would not pay its way in confederation, and would remain a perpetual charge on the rest of Canada."(1)

In an admittedly extreme way, Mr. Blake's speech at North

York represents that body of public opinion. Here he said:

"The British Columbia section of the railway, even if it turn out to be practicable as an engineering work will involve an enormous expenditure, approximately $360,000,000 and after the construction will involve an enormous annual charge on the revenue of the country for its running expenses, and I doubt if that section can be kept open after it is built. I think that the chief importance that British Columbia will derive from the enterprise will consist in the circulation of money and the profits of mercantile operations attendant on the construction, and that Canada will be a frightful loser by the affair."(1)

Such an enterprise would surely change the whole complexion of the later better terms movement, and British Columbia, already having received so much at the hands of a benificent federal government, would most certainly be the spoilt child of the Confederation family to ask for still greater consideration. But time, which has eroded the very foundations of Mr. Blake's objections, has likewise erased the fears of economic paralysis which they begot. The curious thing is that it has not also entirely removed the old conception of the Canadian Pacific Railway.

(1) He added: "Of course, there must be railways to connect the sheets of water and eventually a through line, but I am confident a bushel of wheat will never go to England over an all rail route from Saskatchewan to the seaboard, because it will never pay to send it." Quoted in Gosnell, R.E., "Memorandum for His Lordship, Hon. Mr. Justice Martin", 1927, p. 8.

This same declaration was repeated at the more famous "Aurora Speech" on Oct. 3, 1874 (see "Reminiscences" by Sir John Willison, in "Canadian Magazine", July 1918, p. 236). Though quoted often, no definite date is given for Blake's address at North York. It was probably about the same time as his Aurora Speech, however.
This thesis does not propose to discuss in any detail the intricate negotiations involved in the settlement of the transcontinental railway difficulties. But inasmuch as it would seriously weaken British Columbia's moral right to better terms if the railway were of the nature urged by Blake, enough facts to refute such an interpretation of the Union Terms must be here stated at the outset. The attitude represented by Mr. Blake is based on two assumptions: first, that the railway was constructed entirely for British Columbia's benefit, secondly, that it would constitute a permanent toll on the federal treasury. Even before the Confederation of 1867, the Canadian Provinces looked to union and communication involving the entire westward expanse of the continent. The sixty-ninth resolution of the Quebec Conference is proof of that fact. It read:

"The communication with the North-western Territory, and the improvements required for the development of the trade of the Great West with the seaboard, are regarded by this Conference as subjects of the highest importance to the Federated Provinces, and shall be prosecuted at the earliest possible period that the state of the finances will permit." (1)

Communication and trade with the West was regarded by the very Conference which drafted the basis of the union of the Eastern Provinces in 1867 to be of the "highest

(importance) to those very sections. It must be remembered too, that the British Columbia delegates in their proposed terms asked only for immediate waggon road connection (1) the delegates at Quebec could hardly have been thinking of less in passing their resolution—and that the idea of immediate rail communication emanated from the Dominion. The attitude of the Imperial Government to the problem of land communication as well as union is not without significance too. This portion of the now famous despatch of Earl Grenville, Secretary for the Colonies, to Governor Musgrave is eloquent in its expression of the Imperial attitude:

"They (the Imperial Government) anticipate that the interest of the other provinces of British North America will be more advanced by enabling the wealth, credit, and intelligence as a whole to be brought to bear on every part than by encouraging it in the contracted policy of taking care of itself, possibly at the expense of its neighbour. Most especially as it is true in the case of internal transit, it is evident that the establishment of a British land communication between the Atlantic and the Pacific is far more feasible by the operations of a single government responsible for the progress of both shores of the Continent than by a bargain negotiated between separate—perhaps in some respects rival—governments and legislatures. Her Majesty's Government are aware that the distance between Ottawa and Victoria presents a real difficulty in the way of immediate union; but that difficulty will not be without its advantages if it renders easy

communication and forces onward the operations which are to complete it." (1)

Both the sixty-ninth resolution and the above Imperial despatch conceived land communication to be in the interest of the Eastern Provinces; the special benefit of British Columbia was not being considered in either case. Both the resolution and the Imperial communication constitute a statement of policy and both likewise preceded Section 11 of the Terms of Union. And the Report of Hon. H. L. Langevin indicates clearly that the official government policy had not altered in 1872 after the negotiation of the Terms. He writes:

"The Canadian Pacific Railway is the most extensive public undertaking, in connection with British Columbia, that Canada has promised to see carried into effect, and it is also that from which we may expect to reap the greatest advantage, for by it all the Provinces of the Dominion will be united, and form one and the same nation, in the true sense of the word. The trade of Europe and Asia must necessarily be attracted to that road, and moreover, in making accessible the vast and beautiful territories of the North-West and Columbia, the emigration of Europe, and, it may be, Asia, will see thrown open to it an easy route by which to reach those valuable prairies and rich mineral lands, bringing in its train that reinforcement of population and riches of which we stand in need." (2)

(1) Papers on the Union of British Columbia, p. 30. Sir John Young, the Governor-General of Canada, in a despatch which followed this one, urged Governor Musgrave to take such steps as he properly and constitutionally could do to promote favourable consideration of the question. He thereby added the consent of the Canadian Government to the above despatch.

Finally, as Hansard quotes Sir Francis Hincks on March 30, 1871, as saying: "No one had answered the argument that the railway was not entirely a bargain with British Columbia, for if that colony had not consented to join the Union would not a railway to the Rocky Mountains still have been a necessity."(1)

With regard to the second premise—that the earnings of the railway would never justify its existence—one need look no further than the Annual Reports of the Canadian Pacific Railway Company. They contain an answer which is quite unequivocal.

This whole matter has been discussed by the learned judge in the Royal Commission appointed to investigate British Columbia's claim for the return of the Peace River Block. His conclusions are, perhaps, not entirely without interest in a discussion of the nature of the original trans-Canada railway bargain. The report concludes:

"When viewed in the light of subsequent events, the many predictions for the failure of the enterprise, and the fears of financial disaster, were entirely unwarranted. The success of the Canadian Pacific Railway, almost from the beginning, has been phenomenal, and its influence upon the development of the whole country has surpassed even the most sanguine expectations of those who had confidence in the enterprise. It rendered possible the opening up and the development of the great North-west, the most productive wheat-producing area in the world, into which hundreds of thousands of immigrants have gone, cultivated the lands,

produced wealth, and created a market for the manufactured products of other portions of Canada. The railway was for many years the one connecting link between east and west, and was during that time the greatest unifying factor in the country. While it has undoubtedly benefited British Columbia, aiding in its development and furnishing an outlet for its products, it has, as a great national undertaking, benefited the whole country to a much greater extent. Notwithstanding the national character of the undertaking, British Columbia has borne the burden of contributing large areas of her public lands to aid in its construction—largely on account of the predicted failure and burdens to be created—and to-day is the only province of Canada which granted lands towards the building of the railway, national in its character."(1)

In retrospect, the affect of the C.P.R. difficulties was not so much to stop British Columbia's claim for further consideration as to establish an actual precedent for the reform of the original Union Terms. This the federal government did not hesitate to do under the aegis of necessity. By Paragraph 11 of the Terms, the railway should have been completed within ten years; actually it was not finished until November 7, 1885—four years after the limit agreed upon. The alteration of the original Terms consisted not only in postponing the completion date, but in increasing the Province's land grant as well, to the extent of 3,500,000 acres in the Peace River Block, in lieu of alleged deficiencies in the grant of 1871.(2)

(1) Report of the Royal Commission: Reconveyance of Land to British Columbia; Ottawa, 1928, p. 34.

(2) See Ch. II, p. 34.
It would seem, therefore, that we may safely assume British Columbia's case for a re-adjustment of the fiscal relations of the federal government with that Province to rest entirely upon its own merits, unencumbered by the early railway negotiations, which in themselves constitute quite a distinct chapter in our history. The real better terms movement did not begin until almost the close of the century, by which time all doubts of the economic and political wisdom of the Canadian Pacific Railway were removed, and with them too, all idea that the enterprise was for the especial benefit of British Columbia should have vanished. But the financial difficulties which eventually prompted that movement existed from the Province's formation, and to a study of those we now turn.
CHAPTER II.

Recurring Deficits.

As was noted in the preceding chapter, the net debt of the Colony at Union was $1,000,405. This being assumed by the Dominion Government, British Columbia began its provincial existence free of financial encumberances. In moving the acceptance of the Terms of Union, Hon. J. W. Trutch, one of the delegates to Ottawa, gave expression to a feeling of optimistic expectation for the future so characteristic of the Province at the time. British Columbia ceded $363,500 of its revenue by the Terms to the Federal Government, he claimed, leaving the new provincial assembly with the remainder, or $170,450. The proposed grants from Ottawa totalled $212,908. This together with the sources of revenue left British Columbia, gave the Province $383,358, out of which only $236,073 would be required for local government.(1)

With the fullest expectations and confidence too, British Columbia's first provincial legislature met on February 15, 1872. Article 7 of the Terms of Union had given the Province the right to remain under its existing customs and excise duties until the completion of the railway, unless the legislature should at an earlier date

(1) Colonist, Jan. 19, 1871, p. 3.
decide to accept those of Canada. This the assembly decided to do, passing the "Canadian Customs Laws Adoption Act, 1872" on March 14th. (1) This, it may be remarked, leaves no doubt of the confidence which the provincial legislators had in the Federal Government and its intention of fulfilling all agreements promptly. The exploratory surveys for the railway had already commenced and seemed to guarantee the early construction of this most coveted enterprise.

This, however, was not to be. Nor was the Province to experience the good fortune in fiscal matters forecasted for it by Hon. Mr. Trutch, for responsible government brought with it troubles apparently as insurmountable as those which had characterized the colonial days. For the first six months of Confederation, British Columbia was happily able to live within its income; thereafter, its budgets show a remarkable series of deficits, ranging as high as $1,010,899 in 1895. 1872 showed a loss of $104,867, and the following year added $2,478 to the public debt. To this already large sum, 1874 contributed a deficit of $210,938 and 1875 another $263,418. (2) And thereafter for the remaining years of the century, the story is much the

(1) Journals of the Legislative Assembly, 1872, pp. 20-21, 28, 41. Also see text of Act - "B.C. Acts, 1872", No. 3.

(2) B. C. Sessional Papers, 1899, p. 516-A. (Table No. I)
same, deficits appearing in various amounts but with clock-like regularity.

But the prime concern of the provincial government throughout these years was not the regular recurrence of these unbalanced budgets. During these early days of Confederation, the dominating political issue was unquestionably the problem of securing the transcontinental railway promised by the Terms of Union.

So far as British Columbia is concerned, the history of Federal-Provincial relations, during the period from 1872 to 1896, falls into three divisions. In each of these, the policy adopted by the provincial government towards the Dominion is different, yet in each it is mainly determined by the same motive,—the desire to see the C.P.R. completed. In the first, the objective was naturally the fulfilment of the "Original Terms". With the default of the Federal Government in these, the policy became one of hostility and open criticism, or, as it was called at the time, the "Fight Canada Policy". But at the root of the "fighting" was the annoyance over the non-fulfilment of the railway terms. With the evident failure of this programme to bring the desired results, the two governments adopted a more conciliatory attitude towards each other, and began a liquidation of their disputes. Thus the third period, that of "Compromise with Ottawa" began. These years witnessed the
successful completion of the transcontinental; "Compromise", however, remained the watchword of the provincial government in its dealings with Ottawa down to 1896.

One thing, however, is common to each of these periods and that is the constant failure of the provincial government to reach an equilibrium between revenue and expenditure. It is perhaps surprising that this did not give rise to a serious dissatisfaction with the financial terms of the Union Act. There were, as we shall see, occasional outbursts against Confederation; but the fact that these never developed into a definite revisionary movement is only explained by the dominating influence of the desire for rail connection and after its completion, the strength and unbroken tenure of office of the party of compromise.

Throughout the period under consideration, the local governments rather than the Union Terms bore the blame for the Province's financial plight. The early attitude of the press is well illustrated by the Colonist's editorial, published at the beginning of the second session, which declared that Confederation had "carried certain revenues to Ottawa; but it, at the same time, saddled the Federal revenue with a large portion of the expense of collection and administration. To the Province was left a class of duties little more than municipal ....... They found the treasury with nearly half a million dollars in it. They
thought they could never get to the bottom.\textsuperscript{(1)} The Colonist was, of course, an opposition daily at this time and frequently indulged in such verbal chastisements of the DeCosmos Government. Yet the sentiments which it here expresses were unquestionably held by a large body of the electorate.

Typical too of the dominating influence of the desire for an early completion of the C.P.R. and the suspicion of the Dominion's sincerity in that regard, which even then was rapidly gaining ground, is the tide of opposition which developed to DeCosmos' plan in 1874 of capitalizing the difference between British Columbia's debt at Union and that of Nova Scotia and New Brunswick, on which interest was allowed by the Terms of Union at 5 per cent. DeCosmos proposed applying this sum, $945,878, to the Province's public debt which was even then assuming alarming proportions. The explanation of the opposition is not difficult. The scheme was not attacked upon its financial merits, which deserve some favourable consideration.\textsuperscript{(2)} The root of the opposition was the Province's fear of any reopening of the Union Terms, for it was felt that such a move would open the way for the federal government to alter its pledges in regard to the

\textsuperscript{(1)} Colonist, Dec. 20, 1873, p. 3.

\textsuperscript{(2)} The opposing party, headed by Elliot, proceeded three years later (1877), when it gained power, to negotiate a loan of 150,000, on which it was required to pay 6 per cent. on the $945,878 debt allowance the Dominion was only paying 5 per cent. to the Province.
railway. The opposition placed the slogan "The Original Terms" firmly against DeCosmos' "Capitalization". Dr. J. S. Helmcken, who had been living in a well-earned retirement from political battles, suddenly came forward to champion the opposing forces in a series of able pen-duels. On January 23, 1874, he wrote in an open letter, "The treaty is binding and cannot be altered in any subsequent session without the consent of both contracting parties, and in this lies the reason why the people and not the present Local Legislature should be consulted." (1) On February 6, 1875, a public meeting was held at which DeCosmos was charged with "selling the province out", and four days later a petition was presented to the legislature opposing the scheme. The bill entitling the government to draw on the money in question was not finally passed until 1875, (2) and only then after the following saving clause had been inserted: "This act shall not be construed to apply to, vary, or invalidate any other Section or Article of the Terms of Union." (3)

(1) Colonist, Jan. 23, 1874, p. 3.
(2) B. C. Statutes, 1875, No. 4.
(3) Colonist, March 4, 1875, p. 2.
A far cry this from the better terms agitation of later years. Yet strangely enough, one voice was raised in the debates which even then in part accurately forecasted the future. It was that of Hon. J. P. McCreight, the first Premier of the Province, whose unheeded prophesy was that "the Canadian Government had not kept the terms and, probably never would. But we might use that fact to secure better terms in other respects instead of being placed under a ruinous obligation to the Canadian Government."(1)

The Walkem Government, which succeeded that of DeCosmos upon the latter's resignation, proceeded on June 8, 1875, to draw $189,150 of the fund. When, however, the Province sought a further sum of $150,000 in October, the Federal Government advanced the money, but at the same time stating that it would retain this amount out of the subsidy payable after July 1, 1876.(2) Seizing upon this, Hon. T. B. Humphreys, on January 26, 1876, moved the following resolution, which carried by a vote of 13 to 10, defeating the Government:

"That this house strongly disapproves of the policy of the government in borrowing large sums of money from Canada at a time when Canada is a serious defaulter in respect to the most important obligations of the Treaty of Union, and this house is of opinion that in pledging the annual subsidies of the province for money thus borrowed, thereby anticipating the

(1) Colonist, Jan. 6, 1874, p. 3.
(2) B. C. Sessional Papers, 1876, pp. 573-75."
stated revenues of the country, the government have exceeded the powers granted to them under Act No. 4 of last Session." (1)

By now, the Province had an indebtedness of approximately $750,000, (2) and already it had become seriously involved with the Dominion in the matter of its finances, and this, as the Opposition in the local house warned, at a very inopportune time, in view of the railway difficulties. (3) The financial plight required immediate and serious attention on its own part. This the incoming Elliot Government attempted to solve by taxation; road tolls were restored; a light tax was placed on real and personal property; a school tax was instituted. (4) The Elliot Government certainly

(1) Colonist, Jan. 26, 1876, p. 2.

(2) This was made up as follows: $339,150 due to Canada ($189,150 advanced on account of the $940,000 proposed to be capitalized; $150,000 borrowed on security of the annual subsidy); $162,890 due contractors; $99,558 due on account graving dock; $147,524 borrowed on temporary loan account: Total $749,122.

(3) In August, 1878, the Earl of Dufferin visited B.C. and was greeted by mottos of "Carnarvon Terms or Separation" on the Island. Discontent there centred on the Senate's defeat of the Island Railway Bill of Mr. Mackenzie (see Howay and Schölefield, op. cit., Vol. II, pp. 367-68 for text of Carnarvon Terms.)

(4) See Colonist, May 29, 1876. Other taxes were: a toll of 1/2 cent a pound on all goods crossing Alexandra Suspension Bridge; a toll of 1/2 cent a pound on goods leaving Clinton for Cariboo; a toll of 1 cent a pound on all goods (except miners' packs, Indian goods, and mining machinery) taken over the trail from Telegraph Creek to the Cassiar Mines. (See B.C. Statutes, 1876, Nos. 3 and 7.)
increased the revenue; but it in no way solved the problem of provincial finances. When Hon. Wm. Smith rose in April 1877 to give his financial accounting for the year previous, it was to announce that the revenue had increased to £407,000 per annum. Yet the total deficit for the three preceding years was £717,650.82, or £239,216.94 a year. 1876 alone showed a deficit of £210,139.46. (1) To meet the urgent needs of government, the Elliot administration introduced a loan bill designed to borrow 150,000 at 6 per cent. (2) This and the general financial situation paved the way for the government's defeat. After receiving an adverse vote in the House (3) and struggling through the session, Elliot unsuccessfully appealed to the electorate. Throughout that campaign, finances were widely discussed, and the government bore the blame for its financial embarrassment. It did not occur to Mr. Elliot and his colleagues, even as a plausible political argument of some use under the circumstances, to fasten the blame on any inequalities of the financial arrangements of Confederation.

(1) See Colonist, April 11, 1872, p. 3. The real property tax which yielded £9,229 in 1876, gave £25,697 in 1877; the personal property tax furnished £8,129 in 1876, as against £12,755 in 1877. See "Financial Report", 1878, p. 86.

(2) Mr. Walkem declared in the house that the issue would only sell for 90 cents. By the end of the year it was selling at 110 1/2 on the London Exchange. See Colonist, Feb. 16, 1878, p. 2.

(3) Curiously, it was on the matter of the appointment of a physician for the Lunatic Asylum.
With the second Walkem Government, which was now formed, the history of Federal-Provincial relations moves into its second stage. The reason for the change is not far to seek. By the end of 1877 the railway situation had become acute. The default of the Federal Government in the original terms, the refusal of the Province to deal with the Edgar Mission, the award of the Carnarvon terms and the refusal of the Senate to accept them—all these events had served to develop an almost insolent attitude in the Province. The Walkem Government's policy towards Ottawa soon came to bear the name of the "Fight Canada Policy", and with good reason. To the already dangerous fuel of discontent was added the highly combustible problem of Chinese immigration. (1) On August 21, 1878, matters reached a climax when Premier Walkem introduced a memorial addressed to the Queen, praying Her Majesty that unless the Dominion began construction by May, 1878, "British Columbia shall thereafter have the right to exclusively collect and retain her Customs and Excise duties and to withdraw from the Union; and shall also, in any event, be entitled to be compensated by the Dominion for the losses sustained by reason of past delays and the failure of the Dominion Government to carry out their railway and other

(1) The decision of Mr. Justice Gray in the case of Tai Long in September, 1878, finding the government's "Chinese Taxation Bill" unconstitutional, was badly-timed to quiet the discontent over the railway. See Colonist, Sept. 28, 1878, p. 2.
obligations to the Province. (1) On the following day the resolution passed 14 to 9. (2)

Fortunately the document was temporarily lost sight of during the change of governments at Ottawa (3) and did not reach Downing Street until March of 1879, by which time the flood-tide of discontent, marked by the passage of the resolution, had considerably receded. With Sir John A. Macdonald again in office confidence in the Pacific Province began to return, and conversely the popularity of the "Fight Canada Policy" waned. In May 1879, on motion of Sir Charles Tupper, the Federal Government went on record "that it is necessary to keep good faith with British Columbia, and to commence the

(1) B. C. Journals, 1878, pp. 105-7; also see Colonist, Aug. 22, 1878, p. 2.
(2) B. C. Journals, 1878, p. 110.
(3) The document reached Ottawa on October 11, 1878, at a time when the Mackenzie Government, having been defeated in September, were merely in office awaiting their successors. With respect to Walkem's actions, Gosnell takes the position that if it was necessary for the Dominion, one of the parties to the Carnarvon "treaty", to ratify the changes made in the original treaty, it was equally necessary for the other party -- the Province -- to ratify them and this the Walkem Government had not done. The Senate's attitude in defeating the Carnarvon terms was partly due to Walkem's own attitude towards those terms and his interpretation of them. (See Gosnell, R.E. "Sixty Years of Progress, British Columbia", pp. 85, 86.)

In his summation of the period, Gosnell is probably not far astray. His verdict is that Walkem's attitude was one of subtle political expediency. No matter how much his policy was one of narrow selfish opportunism, it is for that very reason indicative of the popular distrust of the Dominion at the time, -- a sentiment of which he took advantage.
construction of the railway in that province as early as it is practicable." (1) With that assurance the Walkem policy of hostility lost its real reason for existence for the majority of British Columbians. But other difficulties still faced the provincial cabinet. To the fiscal puzzle, which had already once defeated a Walkem Government, (2) the problem of financing the graving dock added new troubles. To this too was added the inability of the government to successfully pass a law taxing the Chinese. Curiously the first official complaint of the inequality of the fiscal provisions of Confederation arose out of the discontent consequent upon the Chinese problem. It is contained in the budget speech of Hon. Robert Beaven in March, 1881, and deserves some consideration, particularly this portion:

"By the terms on which this province was admitted to the Dominion the funds derived from the indirect taxation went to the Dominion while the product of direct taxation was reserved for the use of the province. Under the system the Chinese and Indians escaped direct taxation while the Dominion reaped large results from the dutiable goods consumed by the two classes. ..... It took a larger staff to collect the meagre provincial revenue than was required by the Dominion to collect $500,000 of $600,000 in indirect taxes which it drew annually from the province." (3)

(1) Canadian Hansard, 1879, p. 1895.
(2) The result of the first Walkem Government borrowing on the capitalized debt allowance was to reduce the annual subsidy from $229,977.69 to $208,086.23. The 5 per cent. originally amounted to $46,977.69. By 1881, due to withdrawals, it was $25,086.23. (See Colonist, Jan. 30, 1881, p. 2.)
(3) Ibid., March 11, 1881, p. 2.
The policies of the Walkem Government had led the Province into a tangle of unsettled disputes. They were so numerous that this new complaint was completely lost in the battle-smoke of the "war" with Canada. But fighting Canada was plainly losing its popularity. During the 1882 session, on March 23 and again on April 1, only the Speaker's casting vote saved the administration from defeat. It needed only a general election to prove that the voters outside the assembly had had enough. After the election, Robert Beaven, who succeeded to the premiership on Walkem's elevation to the Bench, attempted to carry on. He met the house, but on the second day of the session he was defeated on a want of confidence motion.(1)

On January 29, 1883, Premier Beaven resigned. Hon. Wm. Smith immediately formed a government, in which Hon. John Robson was Finance Minister. It was a new government with a new policy. "Compromise" replaced "Fight Canada" as its watchword in federal matters. With its lineal descendants, the administrations of A. E. B. Davie, Robson, Theodore Davie, and Turner, the Smith Government lasted until 1898. Of that time the years from 1883 to 1896 form a distinct period in the history of Federal-Provincial relations, the third which we have so far noted, in which

(1) Colonist, Jan. 27, 1883, p. 2. The vote was 16 to 8.
"Compromise with Ottawa" was the guiding principle.

The Smithe Government assumed office with the express purpose of liquidating the outstanding disputes with the Dominion—the Island railway, the opening of the railway lands, assisted immigration, the Chinese question, the Dry-dock. To end the open hostility that had characterized the last four years was the administration's task, to secure, as John Robson termed it, "an Honourable Peace".

Both at Ottawa and Victoria early sessions were held at the close of 1883 to discuss the "Settlement Bill", which had been the outcome of the visit of Sir Alexander Campbell and the consequent negotiations between the two governments. Briefly, it provided that an area of 1,900,000 acres, in the south-eastern portion of Vancouver Island should be granted to the Dominion, which, together with a bonus of $750,000 to be contributed by the Federal Government, would be given for the construction and operation of the Esquimalt and Nanaimo railway. The Dominion agreed to take over, complete, and operate the graving dock, repaying the Province the money already expended thereon, $182,000, and a further sum of $250,000. In lieu of deficiencies in the railway belt, the Province agreed to transfer 3,500,000 acres, known as the Peace River Block, to the Dominion.

(1) Sir Alexander Campbell was Minister of Justice in the Dominion Cabinet at that time.
This was British Columbia's "Honourable Peace". The term is certainly suggestive of the open hostility which had preceded it; and one reading the debates in the local house almost suspects that the peace was accepted as a matter of necessity by the weaker of the two contestants rather than in the broad spirit of compromise that had been hoped for. Theodore Davie, who of course voted for the Bill, spoke of the bargain in terms which were used over and over again in the debate less effectively. "Canada had grossly violated all treaties with this province", he argued. "Had British Columbians known then what they do now confederation would never have been" but, he added, "the 'Fight Canada' policy had been productive of nothing but failure..... The people of B.C. could not afford the present state of things to continue."(1)

Hon. John Hobson is only half convincing in his enthusiasm for the measure when he declares, "If it was only a quarter of a loaf it would be wise to take it instead of continuing the 'Fight Canada' policy."(2) Yet he insisted

(1) Colonist, Dec. 16, 1883, p. 3.
(2) Ibid. Dec. 16, 1883, p. 3. The speech of Mr. Grant is of some interest in view of later developments: "British Columbia had kept her contract under the terms of union, Canada had not kept hers. He showed that for the year ending June, 1882, $1,200,000 had been paid in customs duties and internal revenue, and the advantage derived by Canada and the purchase by us of Canadian goods that came in free. The transcontinental railway was built in the interest of Canada at large and not in the interest of any particular province." Much discontent was due to the absence of any acceptable settlement for the Chinese tax difficulty.
that it was not an unconditional surrender. A better measure of his opinions, and conditions in the Province generally, is to be found in his budget speech, which the government daily at the capital describes as follows:

"He reminded the house that the moment the policy of the government was made known a year ago everything took an upward tendency. The moment there was a hitch in the negotiations for a settlement that moment the values dropped. When Sir Alexander Campbell came and there was a reasonable prospect of the Settlement Bill being accepted by the Dominion government, prices again advanced and now the moment it shall be announced here that the Settlement Bill is safe at Ottawa that moment there would be a boom in real estate and commerce."(1)

Mr. Robson, of course, being Finance Minister, was especially interested in the fiscal aspect of the agreement. It not only relieved the Province of a serious burden in the graving dock, but at the same time gave it a considerable sum in return. Government accounts show the graving dock to have cost the Province the sum of $584,512.66 up to 1883. From the Dominion under the Settlement Act, British Columbia received $384,512.66.(2) The Province therefore for all

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(1) Colonist, Feb. 12, 1884, p. 3.

(2) The Province had also received another $47,660.22 in 1882. The sums were received as follows: "In July 1881, the province of British Columbia received from the Dominion of Canada the sum of $9,891. In November, $24,581.97. In June, 1882, $13,187.25. October, 1883, $134,512.66, making up in all $192,172.88; the refund in May, 1884, of $250,000 made a total of $432,172.88. This amount was paid into the consolidated revenue and expended as shown by the public accounts." - Simeon Duck in answer to a question in the Legislature. (See Colonist, Feb. 9, 1886, p. 3.)
practical purposes may be said to have received its capital expenditure in return. At that, however, the value of the Settlement Bill as a business bargain is debatable. Gosnell insists that the lands ceded had a combined value of $55,000,000; these, he argues, were given up in return for seventy-five miles of railway and a drydock, neither of which public works the Province was bound to provide for by land subsidies. \(^1\) As such it was far from good business on the part of the local government. Its value lies in the fact that it ended a most unsatisfactory state of affairs and gave a definite assurance of the early completion of these public enterprises. It was in that spirit that it was accepted by the Province, --as an "Honourable Peace". The debatable point is the price which the Province was forced to pay for peace, a point on which Mr. Justice Martin's judgment throws some light. \(^2\)

In another way too, the year 1883 marked a fresh beginning for British Columbia, which, in order to consider the event in its true chronological sequence, makes it necessary to diverge slightly from our narrative at this

\(^1\) See Scholefield, E.O.S. and Gosnell, R.E., "A History of British Columbia" (Sixty Years of Progress), p. 129.

\(^2\) See p. 7, Ch. I. Had the advice of the Colonist been followed, compensation for failure to complete the C.P.R. in the allotted time would have been included too, in the form of a lump sum or a yearly increase in the subsidy. (See Colonist, Feb. 6, 1883, p. 2.)
In 1873, a bill entitled, "An Act to readjust the Amounts Payable and Chargeable against the several Provinces of Canada by the Dominion Government so far as they depend on the Debt with which they respectively entered the Union" was passed by Ottawa. The effect of this act was to strike off the $10,506,088.84 excess over the original debt allowance of Ontario and Quebec, on which they had been paying 5 per cent. interest to the Dominion. In order to equalize the position of the other provinces, their various debt allowances were increased in the same proportion per capita. Thus, British Columbia received an increase in her allowed debt of $280,084. In 1884 a similar bill was introduced, the purpose of which was to make the increased allowances retroactive. The speech of Sir Leonard Tilley in moving that the House resolve itself into committee on this occasion is noteworthy, coming as it does from a leading federal statesman, in that it proposes what cannot be considered otherwise than as a fundamental change in the

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(1) In still another way, B. C. achieved a measure of success in 1884. This was in the restriction of Oriental immigration. A Royal Commission was appointed that year to enquire into the Province's grievances in that connection. As a result of the investigation an act was passed at the following Dominion session, placing a $50 tax on Orientals entering Canada. The Province was to receive one quarter of the revenue thus collected from immigrants entering at B.C. See Statutes of Canada, 1885, Vol. I, Ch. 7, pp. 208-212.

(2) Statutes of Canada, 1873, p. 94 (Ch. 30).
financial relations of the provinces and the Dominion. And the reason given for the change proposed by this gentleman is the dire financial straits in which the provinces had come to find themselves. Apparently the Federal Government of the day considered it part of its duty to care for the financial well-being of the provinces, even if such required a revision of the original basis on which union was consummated. In part, Sir Leonard's speech follows:

"We know that since that period (Confederation), such has been the desire on the part of the people in all the Provinces to have railway extension, we know that the pressure has been such that these Provinces have had, from time to time, to yield to that pressure, until there is scarcely one Province that is not embarrassed at this moment, or if not at this moment, that will not be embarrassed when the engagements entered into in the shape of subsidies to roads not yet constructed are met. In 1873 that was the state of things, and the Government thought it advisable, under the circumstances, to ask Parliament to assume the whole of the debt of Ontario and Quebec which then exceeded the amount they had assumed in 1867, and to give to the other Provinces a sum equivalent in proportion to their population. The proposition now before the House is to ante-date, as it were, the operation of the law of 1873, and to give the four old Provinces the benefit of this amendment to the law by giving them the benefit of the interest on that increased debt from 1867 to 1873."(1)

The actual resolution affecting British Columbia read as follows:

"2.—In the accounts between the Dominion and the Provinces of British Columbia, Manitoba, and Prince Edward Island, the amounts now calculated and allowed

as the debts of the Provinces respectively, on which they are now paid interest by the Dominion, shall be increased by amounts bearing the same proportion to the respective populations of the said Provinces, as ascertained by the Census of 1881, as the total of the amounts to be added under these Resolutions as capital owing to Ontario and Quebec, Nova Scotia and New Brunswick, bear to the combined population of the four last named Provinces, as ascertained by the said Census of 1881; and the amounts of such increases to the said Provinces of British Columbia, Manitoba, and Prince Edward Island respectively, bearing interest at the rate of 5 per cent per annum, which interest shall be payable to them as part of their respective subsidies from the Dominion on and after July 1, 1884. (1)

Thus the policy of an "Honourable Peace" with Ottawa began with some assurance of success. Yet it would be entirely fallacious to consider the period of compromise as one in which complaints were entirely absent. From time to time disagreements appeared, some of which were not settled until after the commencement of the better terms negotiations. And with the yearly appearance of deficits, occasional outbursts against Confederation were heard, and these increased in number with the growing seriousness on the Province's debt.

Each year added its quota, in varying amounts, to that already large sum. The following table, prepared from the Public Accounts is eloquent in its proof of the statement that the Settlement Bill and "Honourable Peace" must seek their chief glory in having ended an ill-begun dispute;

for it most certainly offered no solution to the Province's financial problem:

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Expense</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1884</td>
<td>$503,173</td>
<td>$790,629</td>
<td>$87,456</td>
</tr>
<tr>
<td>1885</td>
<td>$600,398</td>
<td>$655,437</td>
<td>$55,039</td>
</tr>
<tr>
<td>1886</td>
<td>$514,719</td>
<td>$772,211</td>
<td>$257,492</td>
</tr>
<tr>
<td>1887</td>
<td>$540,398</td>
<td>$713,151</td>
<td>$172,753</td>
</tr>
<tr>
<td>1888</td>
<td>$608,678</td>
<td>$745,975</td>
<td>$137,297</td>
</tr>
<tr>
<td>1889</td>
<td>$706,779</td>
<td>$816,267</td>
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</tr>
<tr>
<td>1890</td>
<td>$845,522</td>
<td>$911,408</td>
<td>$65,886</td>
</tr>
<tr>
<td>1891</td>
<td>$964,943</td>
<td>$993,855</td>
<td>$28,912</td>
</tr>
<tr>
<td>1892</td>
<td>$1,038,237</td>
<td>$1,370,431</td>
<td>$332,194</td>
</tr>
<tr>
<td>1893</td>
<td>$1,019,206</td>
<td>$1,431,438</td>
<td>$412,232</td>
</tr>
<tr>
<td>1894</td>
<td>$821,660</td>
<td>$1,514,405</td>
<td>$692,745</td>
</tr>
<tr>
<td>1895</td>
<td>$896,025</td>
<td>$1,906,324</td>
<td>$1,010,999</td>
</tr>
<tr>
<td>1896</td>
<td>$989,765</td>
<td>$1,614,723</td>
<td>$624,958</td>
</tr>
<tr>
<td>1897</td>
<td>$1,383,048</td>
<td>$1,569,071</td>
<td>$186,023</td>
</tr>
<tr>
<td>1898</td>
<td>$1,439,623</td>
<td>$2,001,031</td>
<td>$561,408</td>
</tr>
</tbody>
</table>

Unquestionably the extravagance of provincial governments is in part responsible for this amazing series of deficits. Expenditures were not always wisely made. Yet it is a fact that the older provinces were in similar straits. Sir Leonard Tilley had noted this condition in his speech on the Readjustment Act of 1884, and had given it as a reason for that change. British Columbia might possibly plead inexperience; but the older provinces, being

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(1) See B.C. Sessional Papers, 1889, pp. 516A, 516B (Tables I and II). Among the large expenditures for 1895 was an allowance of $191,867 for the new Parliament Buildings, and a grant of $425,629 for roads etc. Figures for these respective outlays in 1894, the preceding year, were $55,954, and $262,478; for 1896 figures were $257,903 and $238,225.
more schooled in the obligations and dangers of self-govern-<0.19.40.5>ment, can hardly offer this excuse. But are excuses necessarily? After all, extravagance, as it applies to governments, apart from the definitely culpable, is always debatable. It is difficult, if not entirely impossible, to accurately apportion blame or praise for the outcome of financial policies of governments, to allot chance and foresight their true share of responsibility. In this case, the fact that it was not the one but the many provinces which were experiencing financial troubles at least plausibly suggests that individual governments cannot be held solely responsible, that the true cause lay in matters beyond their control.

The new premier of Quebec, M. Mercier, felt this in 1887 when he issued an invitation to the other provinces to meet at Quebec for the purpose of considering fresh demands on the Dominion. (1) All the provinces with the exception of British Columbia and Prince Edward Island were represented at that conference. Hon. John Robson was in the east at the time and could easily have attended. That he did not is not surprising. The "Honourable Peace" had been achieved by

(1) See Colonist, March 20, 1887, p. 2. See also "Minutes of the Proceedings of the Representatives of the Provinces in the years 1887, 1902, 1906, 1910, 1913, 1918, 1926"—published 1926. The letter inviting Premier Davis to attend was dated Sept. 24, 1887. For proceedings of conference see pp. 3-39.
direct negotiation with the Dominion, and in that manner the provincial administration still proceeded to settle its differences. Between Ottawa and Quebec it chose the former; negotiating with the other provinces as a group from which it was so distant was a new experience for the Pacific Province and the government that had only recently reached a settlement by more direct means.

Further, the subject of better financial terms was one which that administration had no intention of embracing. Events in the session which followed the Quebec Conference establishing that Mr. Robson's report of his trip presented to the House during this session suggests that the subjects of better financial terms and the Quebec Conference were studiously avoided. (1) But another incident is even more indicative of the government's attitude. The Speech from the Throne contained the following paragraph:—

"It is now more than twenty years since the constitution of the Dominion was framed and brought into actual operation. It may be advisable for you to consider whether practical experience of its working for nearly a quarter of a century has not revealed defects in that constitution which it would be alike in the interest of the Province and of Confederation to have remedied."(2)

Whether the administration feared some attack from the opposition because of its failure to recognize the

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Quebec Conference and was taking this method of heading it off or not, is a matter of conjecture. But certain it is the government had no intention of proceeding with so much as a discussion of such a policy as this portion of the Speech indicates. It was evidently intended to be forgotten or overlooked, despite the Opposition. On February 9, the following resolution was introduced by Mr. Grant, and seconded by Mr. Semlin:--

"Past experience proves that many things in the working of the 'British North America Act, 1867', and its application and interpretation by the federal government, works unfavourably to the province and reduces powers which should be exercised by the provincial authorities; that the money subsidies from the federal treasury are not commensurate with our requirements and the increasing cost of government, whilst at the same time the Dominion government draws a much larger sum from the province for customs revenue and other sources than that at the date of union, and we regret that your honor's ministers did not provide for a proper representation of the province at the inter-provincial conference held at Quebec during the last summer of delegates from all the other provinces, with the exception of British Columbia and Prince Edward Island, more especially as one of your honor's ministers was in Ottawa during the sitting of said inter-provincial conference, as we consider so favorable an opportunity to present our position to the representative men than assembled has never occurred since British Columbia united her destinies with Canada." (1)

The text of the resolution is enough akin to later motions of a similar kind to evoke interest, and one might expect it to induce a detailed discussion of the whole matter of federal-provincial financial arrangements in view

(1) Colonist, Feb. 10, 1888, p. 4.
of the Quebec Conference, Mr. Robson's mission and the above paragraph of the Speech. But such a discussion was not forthcoming then, nor at any time during the session. With surprising speed the whole incident was disposed of and the amendment defeated 16 to 6. The speech of Mr. Dunsmuir, in view of later history, provides an interesting commentary on the politics of the day. Had the government representative gone to the inter-provincial conference, Mr. Dunsmuir declared, "the opposition would have asked what business he had there". He did not think British Columbia "should dance attendance at a call of M. Mercier, and could not have sent a representative without first having consulted the legislature". (1) And thus the incident was closed, without so much as a word on the subject of provincial contributions to the federal treasury or the Dominion subsidies. As the session went on, it became increasingly doubtful if the matter would even be mentioned again. At last, on March 12, the leader of the Opposition arose and asked what had become of that section of the Speech. Again faced with the problem, and once more by the Opposition benches, Hon. Mr. Robson replied: "With regard to the statement that twenty years experience had demonstrated that there were defects in the constitution, nothing definite was promised. The matter was at present under consideration, but it was not positive

(1) Colonist, Feb. 10, 1888, p. 4.
whether the house this session would be asked to consider amendments."(1) It was not.

As a matter of fact, such a proposal was not destined to be given serious consideration in the provincial legislature for many years to come. It is to the federal house rather than the provincial that we must look for developments during the next few years. As early as February, 1893, the Colonist had printed an editorial calling attention to the large per capita contribution of British Columbia to federal finances. "This Province", the editorial declared, "contributes to the general revenue upwards of a million dollars a year more than its share, if population is made the basis of Provincial contributions to the revenue."(2)

This and other similar statements evidence the growing feeling that the Pacific Province was not being fairly treated in matters of federal expenditures. In the House of Commons that same year we find Col. Prior declaring:--

"There is a general opinion prevailing in the province from which I come that the people there are not receiving a fair share of the expenditure of the Dominion Government, in comparison with the revenue they pay into the Dominion treasury. .... We have been told by some members of the Government that the expenditure of the province will be based on population. That, we think, is not a fair way of dealing with the subject. We are a small population, numbering, according to the census, only 97,000 odd, including Indians

(2) Ibid., Feb. 24, 1893, p. 4.
and Chinamen, and yet we pay the enormous sum of £1,656,156 in revenue to the Dominion per annum, which is equal to £16.97 per head of the population. (1)

Col. Prior's immediate aims beyond perhaps that of a good representative endeavouring to secure a greater expenditure of federal moneys for his Province and constituency are not clear. By 1895, however, federal members in both houses had become convinced that the only way British Columbia would receive the treatment they believed it rightfully deserved was by securing representation in the guiding council at Ottawa, thereby in a measure overcoming the disadvantage of distance from the national capital. Thus there began a campaign for cabinet representation for British Columbia and the Province's claim for such recognition was based on its large per capita contribution to federal revenues.

Three times during the session Col. Prior asked for a detailed return of government revenue and expenditure in British Columbia. (2) At the end of the session, those returns had still not been brought down, but he took occasion to demand cabinet representation for his Province, proceeding to show British Columbia's fiscal and trade importance. He noted that its exports and imports were the largest of any

(1) Canadian Hansard, 1893, p. 2248.
province in Canada per head during the years 1892, 93 and 94, the yearly average for those years being $69.12 and $56.08 respectively. In that her nearest rival in each case was Quebec with $37.87 and $38.67. In customs duties British Columbia contributed $1,274,271 as an average in those years, or $12.99 per head, being the largest per capita tax and the third in actual amount. (1)

In the Upper House, Senators Macdonald and McInnes were especially active, urging the government that "taking into consideration the amount of revenue we are contributing, and the distance we are from the capital, it was only right and proper that the premier, in forming his cabinet, should have taken into it a member from British Columbia." (2)

The campaign finally achieved success in 1896 with the appointment of Col. E. G. Prior, who had been a leader in the movement from its commencement, as "Collector of Inland Revenue" in the federal cabinet. The importance of this struggle to the later better terms demands lies in the use of the identical arguments that were later expanded and used by the Province in the negotiations for special railway subsidies, the forerunner of the real better terms movement.

(2) Canadian Senate Debates, 1895, p. 24.
Curiously, the campaign for representation in the federal cabinet produced still another argument that was later to be moulded into use in the revisionary movement. Unwittingly, Col. Prior and his associates had raised a question which was to be seized upon by the Liberal Opposition in British Columbia and used against the Ottawa administration in the by-election which followed the cabinet appointment and in the general election of the same year. William Templeman, who later became a senator and a member of Sir Wilfrid Laurier's cabinet, was Col. Prior's opponent in the by-election at Victoria in 1896. Though using the same grounds as his opponent had in endeavouring to secure cabinet representation, Mr. Templeman attempted to prove that the real fault lay with the National Policy tariff, which he alleged took $750,000 in excess of all federal expenditures from the Province in 1893, and an even greater sum indirectly in the form of higher prices paid to Eastern Canada in purchases because of the protected market.\(^1\) In an open letter which he and Dr. Milne, the other Liberal candidate at Victoria issued to the electorate just prior to the general elections of 1896, he declared:

"We are opposed to the 'bleeding process' whereby the province of British Columbia has been forced

\(^1\)See Victoria Daily Times, Jan. 11, 1896, p. 2. This daily newspaper, hereafter referred to simply as "Times", was first published on June 9, 1884. In federal politics it was a supporter of the Liberal Party."
For years to contribute to the Dominion treasury in customs, excise, fishery and other dues, and to eastern monopolists, over two million dollars a year in excess of the sum returned to us for all purposes."(1)

In raising the question of additional contribution sent to Eastern Canada in the form of purchases from highly protected markets, Mr. Templeman at least partially developed an argument that was later to find use as an additional reason for revising the Union Terms: that is, that the Province deserved special consideration as compared to other members of Confederation because its products were for the most part sold in the open world-market, whereas purchases were from the more expensive protected markets of Eastern Canada.

Up to this time, however, the Provincial Government, despite its yearly deficits, steadfastly refused to take up the question raised by the Quebec Conference in 1887 and echoed in the Speech from the Throne at Victoria the next year. During the course of his budget speech in the latter year, Hon. J. H. Turner declared:

"I believe that with a vigorous and careful collection of all revenue, and careful expenditure, we shall soon get the finances into the position of making both ends meet, if that is desirable. And at the same time I confess that the condition of our province is such as to make this a difficult matter. When we consider the vast extent of the country, and the endless demands from all parts for roads, bridges,

(1) Times, June 11, 1896, p. 7.
schools ..... it will readily be seen that it is a province that requires a large expenditure in order to open it up and improve it."

In 1892, he was still speaking of the "extensive public works ..... without which the country will stand still or recede". For the following year the revenue increased to a total of $1,038,237, reaching the million mark for the first time in the Province's history. "The steady upward tendency of our revenue", declared the finance minister in reporting this achievement, "which is derived from so many sources, clearly indicates that the Province is still marching onward and on the right road".

But there was no sign of an approaching equilibrium between revenue and expenditure. Yet the Provincial Government still exhibited no tendency to lay the blame for its financial plight with Confederation as the other provinces had done, nor to seek assistance from Ottawa in the expensive task of developing the country. When, in discussing federal expenditures, a member urged the Provincial Government to "take a stiffer stand and demand and not beg for their

(1) Colonist, April 10, 1888, p. 1.

(2) Ibid, March 4, 1892, p. 6.

(3) B.C. Sessional Papers, 1899, p. 516"B" (Table No. 2) -- The Dominion grant per capita increased this year from $48,000 to $74,215.

(4) Colonist, March 14, 1893, p. 6.
Premier Davie was reported by the government press as replying:

"Such talk was nonsense. There were not as great grievances now as had existed. The real remedy would not be had until population had largely increased and the representation of the Province was larger, and the Province was thus given a louder voice in the great council of the Dominion. As he had on a previous occasion said, the Province when it went into Confederation had married into a poor family, and it could not be helped for the time being, if for the general benefit of the Dominion, the Province put up with some injustice."(2)

Yet despite a determined opposition, which fixed its attack upon the financial policies of the administration, and the foreboding presence of strikes and unemployment, always a matter of apprehension to legislators facing the electorate, the government succeeded in carrying an election in June 1894.(3) But with that year there was a serious falling off of the revenue.(4) The administration promised

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(1) Colonist, March 14, 1893, p. 8.
(2) Ibid., March 15, 1893, p. 6.
(3) At the same time the Leader of the Opposition, Hon. Rob't Beaven, suffered personal defeat.
(4) See Table p. 41. The Session of 1893-94 produced one resolution of some importance, praying the Lieut.-Governor to "again move the Dominion Government to increase the per capita tax on Chinamen coming into the Dominion to $100 each; at the same time expressing strongly the opinion of this house that three-fourths of all moneys received at British Columbia ports...should be paid to this province, as the chief injury from the presence of these Chinamen is sustained by this province, and not the Dominion." See Colonist, Jan. 26, 1894, p. 3. The resolution passed unanimously. This matter of a fair division of the proceeds of the Oriental tax was later closely associated with the better terms demands. A similar resolution was passed without division at the next session—see ibid., Dec. 23, 1894, p. 6.
retrenchment, but signs of a growing uneasiness with financial conditions were plainly evident.

During the Session of 1895-96, the legislature's attention was turned to the subject of federal revenues in the Province—a subject of considerable moment in the federal houses at the time. This occurred in a curious way. It was brought up by Mr. Kellie, the member from West Kootenay, who had been chosen to second the Address in Reply to the Speech from the Throne. During his remarks on this occasion, he diverged from the actual contents of the Speech, and apparently, as succeeding events showed, he embarrassed the government not a little. Mr. Kellie, it seems, ventured the following remarks for himself, when he said he "wished to take up a matter that had not been spoken of, namely the drain upon our resources by the Dominion Government", and to urge "that the representatives of British Columbia at Ottawa should unite, irrespective of party, in demanding more liberal treatment."

How strong even then was the tendency for the subject of federal revenues to diverge into the field of party politics, and become a discussion of the effects of the National Policy upon British Columbia is shown by Mr. Semlin's remarks as Leader of the Opposition. He is reported as saying in reply to the Seconder: "In the matter of Mr. Kellie's remarks upon the drain by the Dominion
upon the revenues of the Province, he would leave the
defence of the Dominion Government to the Ministers opposite,
each one of whom he believed is a supporter of that Govern-
ment."(1) Premier Turner cut the whole incident short by
rising to say he refused to be drawn into a discussion of
Dominion politics,—under the circumstances a reply of un-
doubted political wisdom and expediency.

The incident shows clearly the situation at the pro-
vincial capital. Throughout the period under consideration
individual references to the subject of British Columbia's
excessive contribution to federal finances, the possibility
of revising some of the Union Terms, and the failure of the
Ottawa authorities to allot the Province its due share in
national expenditures are not entirely absent. Yet it never
became the official government policy to attack the problem
involved. One wonders why, especially in view of the
steadily shrinking revenues of the last few years. The
answer is perhaps contained in the incident in the legis-
lature just mentioned. Though not admitting any political
alignment with the federal administration, and even denying
the existence of political parties in provincial politics,
the Turner cabinet was nevertheless on friendly enough
terms with Ottawa to avoid discussion of matters so closely

(1) For a full report of this incident see Colonist, Jan.
28, 1896, p. 6, from which the above quotations are
taken.
affecting its fiscal policies, and essentially involving criticism. To get an entirely true picture of the situation, one must realize that the federal Liberals in the Province were basing their attack upon the Dominion Government on this very point. Irrespective of party, British Columbia's representatives at the national capital had used the Province's proportionately large contribution to the federal treasury as the chief argument in their campaign for cabinet representation at Ottawa. As a result of their efforts Col. E. G. Prior was appointed to the national cabinet, and was at this very moment conducting his federal by-election campaign in Victoria. His opponents had seized upon this "excessive contribution" as certain proof of the irreparable harm being done the Province by the Conservatives' "National Policy". Mr. Turner publicly supported Col. Prior at this time, just as later in the year he supported his party in the general elections. Many of his supporters did likewise. In 1896, to raise the cry of "excessive contribution" was undeniably to brand oneself as an unequivocal opponent of the Conservative administration at Ottawa.

Thus Mr. Kellie's remarks placed Mr. Turner in a difficult position, a fact which Mr. Semlin was quick to realize and take advantage of. Unquestionably, the Leader of the Opposition sensed Mr. Kellie's anxiety to be that of a large body of the electorate and in this he was
certainly correct. But with many anxiety had grown into
discontent, and this too Mr. Semlin probably also realized,
for in the Dominion elections of June of that year, the
Federal Liberals carried the Province for the first time
in its history.

The abrupt change in the Turner government's attitude
towards the new administration at Ottawa provides an
interesting commentary on the "non-party" politics of the
provincial legislature. The Laurier Cabinet was not a year
in office when the Turner government showed signs of a
change of heart: British Columbia, it discovered, did con-
tribute large sums to the federal treasury in excess of
Dominion expenditures in the Province, and there was every
reason for some of this money being used in developing the
Province. Specifically, this "revenue in excess of expendi-
ture" was to be used as a basis for a demand for special
subsidies in aid of railway construction. And this policy
was sponsored by the Turner government, the very administra-
tion which had turned aside similar discussions so often
before! The matter was first broached during the seconding
of the Address in Reply to the Speech, when Mr. Stoddart
of East Lillooet said:

"I hope that there will be some expression from
this house regarding public works on the part of
the Dominion of Canada. The revenue derived by
the Dominion from the province as a whole is very
large, both directly and indirectly, in proportion
to the amount of money which we receive in return,
and therefore we should have the benefit of the surplus for public improvements. We are at present paying out from $750,000 to $1,000,000 more than we receive back, a sum sufficient if capitalized at 3 per cent to build two railways to Kootenay at the estimated cost.\(^1\)

But Mr. Turner's speech on April 14, is the most significant evidence of the change. He is reported by the press as saying on this occasion that "the Dominion was assisting public works in the East, such as enlarging canals, for which the province paid a share. He did not complain of that, but he wanted the claims of this province carefully considered. It was well known that the payments from this province to the Dominion were 100 per cent larger than those of the rest of the provinces. As a matter of fact, the population of this province was about one fiftieth of the whole Dominion, and it paid about one-twentieth of the whole revenue. He felt that was an unanswerable reason why the Dominion Government should help us in such important works\(^2\) as railways to further develop the province.

This is a strange statement coming from Mr. Turner. Apparently the government's conversion to the belief that British Columbia was contributing more than her share to national finances came with the fresh demands for railway

\(^1\) Colonist, Feb. 11, 1897, p. 8.
\(^2\) Ibid., April 15, 1897, p. 6.
construction at various points in the province, and the con-
sequent capital outlay involved. Curiously too, good times
brought the government to a policy which depression and de-
creasing local revenues had failed to do, for business
generally now was improving, mining especially was developing
with surprising speed and with this returning activity the
revenues of the province were again on the increase.

Thus, the era of the "Honourable Peace", in which
cooperation with Ottawa had been a guiding rule, was at an
end; a new one was beginning, and the very movement which
was ultimately to develop into an unqualified demand for
better terms was about to be inaugurated.

At the moment, the thing which was most needed, even
in a demand for railway assistance, was a more thorough
study of facts and figures, in place of the heresay type
of evidence of the effect of federal taxation upon British
Columbia. The debates on the Turner government's railway
policy produced such an analysis—the first of its kind—and the honour of being the first to acquaint the Legisla-
ture with a detailed analysis, the first thorough sifting
of facts ever presented to it, goes to Mr. R. P. Rithet.
In a scholarly speech, Mr. Rithet on April 14, 1897, pre-
sented his findings to the Legislature, and they are them-
selves deserving of a somewhat thorough consideration
here.
The following table showing the federal revenue for the preceding year from all sources in British Columbia and the total expenditure—the latter approximating $7.50 per person—was produced for the House's consideration. (1) Similarly by comparing a like expenditure per person to the revenue secured in other provinces, Mr. Rithet showed that with the exception of Quebec and Manitoba, the expenses exceeded revenues:—

<table>
<thead>
<tr>
<th>British Columbia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
</tr>
<tr>
<td>Customs</td>
</tr>
<tr>
<td>Inland Revenue</td>
</tr>
<tr>
<td>Postal Revenue</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>or $18.50 per capita.</td>
</tr>
<tr>
<td>Expenditure:</td>
</tr>
<tr>
<td>Population: 98,173-at $7.50</td>
</tr>
<tr>
<td><strong>Excess of Revenue</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ontario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
</tr>
<tr>
<td>Customs</td>
</tr>
<tr>
<td>Inland Revenue</td>
</tr>
<tr>
<td>Postal Revenue</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>or $6.28 per capita.</td>
</tr>
<tr>
<td>Expenditure:</td>
</tr>
<tr>
<td>Population: 2,114,321-at rate of $7.50 per head</td>
</tr>
<tr>
<td><strong>Excess of Expenditure</strong></td>
</tr>
</tbody>
</table>

(1) Colonist, April 15, 1897, pp. 6-7. All subsequent quotations in this chapter are taken from this source.
Similarly, he derived the following sums for the other provinces:

Quebec,—excess of revenue $447,540.50

Nova Scotia,—excess of expenditure $1,343,281.37

New Brunswick,—excess of expenditure $844,846.38

Prince Edward Island,—excess of expenditure $605,608.99

Manitoba,—excess of revenue $92,715.00

After this preliminary analysis, Mr. Rithet proceeded:

"To prove the position in which it is claimed this province stands with regard to the Dominion revenue and expenditure since confederation, after making full allowances for all expenditures, ordinary as well as on capital account, I have compiled the following figures under the heads of the revenues already taken. They are as follows:

Customs from 1872 to 1896 .......... $20,357,847.55

Inland Revenue, 1872 to 1896 (1873-75 estimated) .......... 2,647,814.28

Postal Revenue, 1872-96 .......... 1,270,914.00

Total ........................................ $24,276,602.83

"Against this the expenditure has been:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1872</td>
<td>60,000 at $4.87</td>
<td>$292,200.00</td>
</tr>
<tr>
<td>1873</td>
<td>5.23</td>
<td>$313,800.00</td>
</tr>
<tr>
<td>1874</td>
<td>6.10</td>
<td>$366,000.00</td>
</tr>
<tr>
<td>1875</td>
<td>6.10</td>
<td>$366,000.00</td>
</tr>
<tr>
<td>1876</td>
<td>5.20</td>
<td>$312,000.00</td>
</tr>
<tr>
<td>1877</td>
<td>5.86</td>
<td>$351,600.00</td>
</tr>
<tr>
<td>1878</td>
<td>5.76</td>
<td>$345,600.00</td>
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<tr>
<td>1879</td>
<td>5.90</td>
<td>$354,000.00</td>
</tr>
<tr>
<td>1880</td>
<td>5.90</td>
<td>$354,000.00</td>
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<tr>
<td>1881</td>
<td>5.88</td>
<td>$352,800.00</td>
</tr>
<tr>
<td>Year</td>
<td>Amount</td>
<td>Interest</td>
</tr>
<tr>
<td>------</td>
<td>--------</td>
<td>----------</td>
</tr>
<tr>
<td>1882</td>
<td>80,000</td>
<td>$6.18</td>
</tr>
<tr>
<td>1883</td>
<td></td>
<td>6.48</td>
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<tr>
<td>1884</td>
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<td>1886</td>
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<td>8.50</td>
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<td>1887</td>
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<td>1890</td>
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<td>7.52</td>
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<tr>
<td>1891</td>
<td></td>
<td>7.50</td>
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<tr>
<td>1892</td>
<td>100,000</td>
<td>7.50</td>
</tr>
<tr>
<td>1893</td>
<td></td>
<td>7.42</td>
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<td>1894</td>
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<td>7.48</td>
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<tr>
<td>1895</td>
<td></td>
<td>7.50</td>
</tr>
<tr>
<td>1896</td>
<td></td>
<td>7.50</td>
</tr>
</tbody>
</table>

Total: $13,064,800

"To which may be added as a liberal allowance for expenditure on public works in the province, $200,000 for 24 years: 4,800,000.

"Making the total expenditure: $17,864,800.

"It will, therefore, be seen that there is a surplus up to 1896 of $6,411,812.83, a sum, when properly computed, almost sufficient to refund the expenditure for Canadian Pacific railway constructions and all other public works made by the Dominion government in British Columbia...."

Mr. Rithet was not satisfied with presenting analysis alone. He had a concrete suggestion to obviate such an unequal distribution of federal funds as evidenced by his figures. He continued:

"Upon what basis can such an obligation be adjusted? I admit it is not very easy to do this, but in order to bring it into tangible shape I make the following suggestion. For convenience I will take the Dominion Revenue and Expenditure for 1896, they are:

**Revenue:**
- Customs: $1,406,931
- Inland Revenue: 295,263
- Postal Revenue: 140,125

**Total Revenue:** $1,842,319
Expenditure:
Per Capita on $100,000
at $7.50
$ 750,000.
Estimated on capital account
$ 200,000.

Surplus of Revenue
$ 892,319.

"Of this surplus let our contribution to the federal government be one-half, or say $446,000, and let the other half be for provincial development by railways." (1)

This then was Mr. Rithet's solution. He was a business man, and his suggestion is testimony of that with its compromise and practical application to immediate problems. But in the even greater area of constitutional reform, it marks a very definite milestone. Though he spoke only of railway subsidies, Mr. Rithet had come very near to the heart of the Better Terms Movement. On April 14, 1897, indeed, the Legislature at James Bay heard, unwittingly at the moment, the first really practical suggestion for a division of the spoils of federal taxation, for a solution of the financial interdependence of Dominion and Province, which is the basic problem involved in British Columbia's claim for "Better Terms".

(1) One other remark of Mr. Rithet during the Session 1897-98 is perhaps of interest. Said he, during the budget debate, "It, too, must be remembered that at Confederation Canada took over the debt of $73,000,000 which Ontario and Quebec had spent in developing their resources and that was the reason those provinces were out of debt to-day." Colonist, April 2, 1898.
CHAPTER III.
The Dunsmuir Delegation and Its Aftermath.

On October 9, 1900, in opening the negotiations which ultimately culminated in the Ottawa Delegation which bears his name, Mr. Dunsmuir wrote to Sir Wilfrid Laurier as follows:--

"During the Session of 1898, the policy of the Government of this Province, as announced in the House, was based on views to which, in the main, it still adheres, a policy rendered the more justifiable and necessary by events of subsequent development and the more recent phases of the Alaska Boundary question. The then Premier advocated proceeding towards railway development, having in view joint action based on some determined ratio of assistance, and announced a policy of co-operation as between the two Governments. You are familiar with the political events which, since that time, interrupted the proposed negotiations."(1)

The story of the two years which followed Mr. Turner's enunciation of his policy of co-operation with the Dominion in railway building is one of unparalleled confusion, disastrous to politicians and their policies alike. Premier Turner and his plans were no exception. Following the elections of the previous month, he was summarily dismissed from office on August 8, 1898, by Lieutenant-Governor McInnes, who claimed the government had lost the confidence

(1) Dunsmuir to Laurier, Oct. 9, 1900; B.C. Sessional Papers, 1901, p. 549.
of the electorate. Thereupon Charles A. Semlin was invited to form a ministry. The new cabinet, backed by a precarious majority, managed to evade defeat during the following session, but little of importance was accomplished. The ever-present problem of Oriental immigration and numerous proposals for new railway bonuses were the subjects of lively debates; but the Semlin Government, like any administration daily faced with possible defeat, could not give these matters the vigorous and concerted attention they required. Thus the programme of development by means of special federal railway subsidies, crystallized during the 1898 Session, came upon the political doldrums, there to dwell for two years.

Mr. Semlin's position was made even more difficult by his personal quarrel with Attorney-General Joseph Martin, which resulted in the latter's resignation. In spite of this defection, Premier Semlin met the Legislature in January, 1900, though only to be defeated and dismissed without the chance of appealing to the electorate. Thus by intervening to remove one ministry and inviting Joseph Martin to form a new one, Lieutenant-Governor McInnes precipitated the strangest crisis in British Columbia's history. The House immediately declared its lack of confidence in Mr. Martin. To complete the picture, when the Lieutenant-Governor arrived to dissolve the Legislature, its members
with a single exception, rose and left the chamber in protest, leaving the King's Representative to address an assembly of one member!

The year 1900, however, was not entirely a lost one. On one front at least concrete advance was registered, though even here success brought little satisfaction. During the 1900 session, the Federal Government raised the fee on Chinese entering Canada to $100. (1) Victory it was, but the gain was negligible. The Act of 1900 still left the old ratio of division, and the $100 fee was regarded from the first as useless by British Columbians. The division of the receipts, giving the Dominion three-quarters to the Province's quarter, was bitterly attacked by Mr. Prior, but to no avail. The chaotic conditions in B.C. augured no early settlement of this and the several other points at dispute between Ottawa and Victoria.

Those hectic days in the Pacific Province, as we have seen, climaxed with Lieutenant-Governor McInnes' dissolution of the House. In the elections which followed James Dunsmuir was induced to accept nomination for the South Nanaimo riding. His campaign was characterized by the following pledge: "In the general interests of the country I shall replace the Chinese by white men so soon as I can get them."

(1) Statutes of Canada, 1900, Ch. 32, p. 215.
On one occasion he went further, saying, "So soon as the other industries do away with them above ground, I'll get rid of them all."(1) His name, an illustrious one in the Province's history, and his reputed business ability and integrity bespoke him as the one best fitted to the difficult task of forming a ministry following the election. Upon him the Province placed its hopes for stable government. His cabinet consisted of Hon. J. H. Turner, who became Minister of Finance, and Messrs. C. W. Wells, D. M. Eberts, J. D. Prentice and Richard McBride.

The Special Session called by the new government met on July 19. Assembled for the purpose of voting the necessary grant of supply to enable the administration to carry on for the remainder of the year, the whole session was characterized by debates which evidenced a growing discontent with the treatment British Columbia received at the hands of Ottawa. Undoubtedly aggravated by the strike of the Fraser River fishermen, the Oriental problem formed the focal point of that dissatisfaction. From the reading of the following paragraph in the Speech from the Throne, the new cabinet's attitude was clear:

"It is the intention of my government to make strong representations at Ottawa and in Great Britain, with a view to protecting the interests of the laboring classes against the consequences of what threatens to

(1) Colonist, May 24, 1900, p. 8.
be an alarming increase of the Japanese population."(1)

But discussions soon went beyond this. In moving the Reply to the Speech, Mr. R. G. Tatlow, the third member for Vancouver, frankly admitted his dissatisfaction with the Federal Government's new Chinese Restriction Act, and in this he unquestionably spoke for the majority. An increase of $50 in the immigration head-tax was, he claimed, altogether insufficient; but at that, the year previous "had yielded $215,000 of which $52,000 had been returned to the province",(2) a division of the spoils which he felt was totally unfair. On August 30, the House passed a resolution requesting the Dominion to pass legislation similar to the Natal Act.(3) The situation with regard to Japanese immigration was somewhat cleared by the following communication, which was read to the House at the request of the Japanese Consul:

"Vancouver, B.C.,
August 7, 1900.

"Hon. Premier Dunsmuir, Victoria, B.C.
"Yesterday I received a cablegram from my government, to the effect that the local authorities

(1) Colonist, July 20, 1900, p. 6.
(2) Ibid., July 24, 1900, p. 6.
(3) Ibid., August 31, 1900, p. 6.
were instructed on the 31st ultimo to prohibit entirely the emigration of Japanese from Japan to Canada, and also the United States. I hope you will announce this to the legislature. Will confirm by mail.

"Consul Shimizu" (1)

The next complaint against Ottawa, again voiced by Mr. Tatlow in his speech of July 23, was the old grievance of the inequality of federal revenues and expenditures in B.C. He charged that "out of a federal revenue of $3,184,000 in 1889 the province received in all but $1,380,000" (2) leaving B.C. with a "credit" of nearly $2,000,000. Fisheries alone he estimated yielded $45,800 of which only $3,736 was spent in the Province.

In another quarter too discontent was strongly voiced. This was a growing dissatisfaction with the extent of the Indian reserves in the Province. Certain reserves had become barriers to railway expansion, others were regarded as disproportionately large in view of decreased numbers of Indians, and with all there was much anxiety as to the ownership and development of the mineral resources. Upon these matters the cabinet received strict advice; on motion of Mr. A. W. Neill of Alberni the House unanimously urged upon the government the necessity of negotiating towards a settlement.

(1) Colonist, August 8, 1900, p. 6.
(2) Ibid., July 24, 1900, p. 6.
(3) Ibid., April 28, 1900, p. 6.
This advice was followed. It was in line with the general policy which the government had already expressed, but the scope of the discussions as they ultimately occurred was considerably larger than this particular resolution contemplated, including as they did the many points at which the Province found itself at variance with the Dominion.

On October 9, 1900, Mr. Dunsmuir opened negotiations, addressing a letter to Sir Wilfrid Laurier, outlining the various grievances of the Province and requesting a personal interview with reference to the same. The provincial Premier's letter is deserving of the most careful consideration, for it opens a remarkable series of communications and conferences which in their scope eventually went far beyond the aims at first contemplated and gave rise to a movement which has since at all times held an important place in British Columbia politics.

With respect to the Oriental problem, Mr. Dunsmuir wrote as follows:

"I am not at all clear as to whether the powers of the Province can constitutionally be applied to effect a remedy, but what I feel particularly is this, that an unquestionable remedy lies with the Dominion authorities, and having promised the House that we would use our utmost influence with your Government, and through the Dominion Government with the Imperial authorities, to bring about a settlement, I cannot too strongly urge upon your attention the great desirability of dealing effectually with representations. The theory upon which the rights of other nations are based is undoubtedly a strong argument against enacting the restrictive measures which we are so desirous of
seeing enforced; but it is a condition, not a theory, with which we have to contend."

One cannot but be impressed with the Premier's frankness as he outlines his Province's position. The "temptation to obtain the cheapest form of labour" will, he prophesied, outweigh any possible effect of public sentiment. More restrictive measures, similar to the Natal Act, alone will suffice, and, he urged, "the opposition of the Imperial authorities must not be allowed to stand in the way of the interests of this, an integral and most loyal part of the Empire, and if sufficient remedies have been permitted to be exercised in other colonies, they cannot consistently be refused to Canada, our case being all the stronger from the fact that by our direct geographical relation as a highway of traffic to the Orient we are particularly exposed to the evils of such immigration." Mr. Dunsmuir appended to his letter a list of resolutions and references to the question taken from the Journals and Sessional Papers of the Province. One hundred and six in all are recorded down to 1899. To this total the session of 1900 added a further sixteen references.

More particularly with regard to finances under the

(1) Dunsmuir to Laurier, Oct. 9, 1900; B.C. Sessional Papers, 1901, p. 547. For the full text of the letter and for quotations hereafter given from it see pp. 546-50.

Chinese Immigration Act, Mr. Dunsmuir reiterated the Province's demand that all moneys remaining after the expenses of administering the Act are met should be returned to his government, inasmuch as B.C. "has to suffer the whole of the evils arising from such immigration".

The second point which the Premier proposed to discuss was the fisheries and the apportionment of the revenues arising therefrom. "We feel", he writes in this connection, "that the necessity for the development of the fisheries within Provincial limits demand that the revenues arising out of licences should be shared by, if not wholly transferred to, the Province. For instance, in 1898-1899 the cost of the fisheries was $8,500, while the revenue from the licences was $46,000."

But undoubtedly the chief concern of Mr. Dunsmuir was railway development and the fiscal relations of the two governments, and these matters the Premier did not attempt to distinguish. On this point his letter demands direct quotation. He writes:

"Perhaps, however, the most important feature of policy affecting the relations of the two governments is that of railway development. No other Province of the Dominion demands the same consideration in this respect. For one reason, the requirements of the other Provinces have, in the past, been recognized to a much larger degree, and for another, the physical features of British Columbia present obstacles not elsewhere encountered, and for still another and more important reason, the per capita contribution of British Columbia to the Dominion Treasury, compared with
the money we receive in return, demands, in fairness, that we should receive more liberal treatment. It has been pointed out to your Government, and demonstrated over and over again by statistics, taken from the Dominion Public Accounts, that the per capita contribution is several times that of the average for the whole Dominion. Added to that, we pay freight, on all goods consumed, a sum many times greater than that of the consumer east of the Great Lakes, which adds proportionately to the burden of our contributions. .... Such facts as these, which have led in later years to a dissatisfaction yearly more and more finding expression, and one that will eventually develop into an emphatic demand for better terms, suggest special reasons for your consideration of some systematic and comprehensive effort by the Dominion Government towards railway building and other forms of development in British Columbia."

The statement is direct and brief, yet it covers in the main the basis of British Columbia's later claim for a revision of the Union Act, a demand which was to be advanced with emphasis during the years to follow; and it is equally important that, while foreseeing such a movement and even warning the federal government of its possibility, Mr. Dunsmuir definitely divorced his proposed negotiations from any such Better Terms demand.

On October 17, Sir Wilfrid Laurier answered this communication, suggesting a conference be arranged as soon as possible, in view of its importance and his own proposed trip in November or December. (1) This, however, did not fit in with Mr. Dunsmuir's plans and it was finally agreed

(1) Laurier to Dunsmuir, Oct. 17, 1900; B.C. Sessional Papers, 1901, p. 556.
that the British Columbia delegates should meet the Prime Minister early in January, 1901. (1)

The delegation, consisting of Mr. D. M. Eberts and Mr. Dunsmuir, left Victoria on January 5, arriving in the capital on Saturday, the 11th. On that day they met Sir Wilfrid Laurier and arranged for a conference on the following Tuesday. News of the death of Queen Victoria, which was received shortly after their arrival, and the closeness of the approaching session, which naturally made large demands on the Minister's time, caused negotiations to extend over a longer period than was at first anticipated. Subsequent to the preliminary interviews with the Prime Minister, conferences were held with Hon. David Mills, Minister of Justice, Sir Louis Davies, Minister of Fisheries, Hon. A. G. Blair, Minister of Railways, and Hon. Clifford Sifton, Minister of Interior. On January 31 a final interview was had with Sir Wilfrid Laurier and the members of his cabinet. On February 2 the delegation left Ottawa.

The subjects discussed were as follows:

(1) Chinese and Japanese immigration.

(2) The right of the Province to a greater share of the revenues arising out of the Chinese Immigration Act.

(3) The fisheries.

(1) Gosnall to Laurier, Dec. 7, 1900; B.C. Sessional Papers, 1901, p. 557.
(4) The encouragement of ship-building on the British Columbia coast.

(5) Readjustment of the lumber tariff, in the interests of the local industry.

(6) Financial relations of the Province of British Columbia and the Dominion of Canada.

(7) Co-operation of the Dominion with the Province in the matter of railway development in British Columbia.

(8) The settlement of the Songhees Indian Reserve.

(9) Readjustment of boundaries of Indian Reserves in British Columbia.

(10) The right of the Province to administer the minerals under Indian Reserves.

(11) The right of the Province to the foreshores, and the minerals under the same.

(12) The salaries of Judges.

(13) The claims of Robert Angus for compensation for timber seized within the Dominion Railway Belt.

(14) Amendment of the Naturalization Act, to prevent fraudulent naturalization of Aliens.

(15) Claims for compensation in connection with small-pox quarantine along the International Boundary Line."(1)

From a cursory examination of the above list, the wide range of subjects considered at the conferences will readily be seen. Obviously all of the points discussed are not concerned with the development of the Better Terms Movement in British Columbia. Many of them have no connection whatever. But those discussions referring to British

Columbia's share in the Chinese tax and fisheries revenue, together with those which centred about the financial relations of Province and Dominion, which were at this time inserted in the hope of securing additional aid for railway development only it is true, do most certainly belong to that movement.

Subsequent to the preliminary conversations, the delegates submitted memoranda on the various claims discussed. Of these, the document covering the financial relations of the two governments is by all means the most important. This Mr. Dunsmuir submitted on January 28. In his original letter, it will be remembered, the Premier made it clear that he did not seek any serious change in the status quo of Federal-Provincial finances, but he made it equally plain that he foresaw the inevitableness of such a demand—"an emphatic demand for better terms", he called it—unless a satisfactory settlement of some of the more grievous inequalities was not soon achieved. In his letter on January 28, enclosing his memorandum, he again returns to that strain, reminding Sir Wilfrid that the sense of injustice being done the Province "would ultimately result in a Provincial agitation for better terms". In considering the subject, he argued that the peculiar physical conditions in the Province deserved special cognizance. These he enumerated as follows:

"(a) Its remoteness from the populated centres of Eastern Canada and the seat of Government."
"(b) Its vast extent, wide distribution and diversity of resources, and its sparseness of population.

"(c) Its rugged exterior and the physical obstacles to communication and development."

Mr. Dunsmuir's statement of the Province's position, its claims upon the Dominion, and his own plans for development is too detailed to be included in its entirety, the most significant sections of that important document are, however, given in the following quotation, which shows only too clearly how close Mr. Dunsmuir himself was at that time to embracing a fully developed better terms demand:

"All these things on the one hand have rendered the cost of living greater, and the problem of development much more difficult, than in the eastern Provinces; while, on the other hand, the wealth of natural resources and the potential character of the population attracted to the country have had marked results for national as well as provincial character.

"We claim that on account of the very large per capita contributions of the Province to the Dominion, as compared with the rest of Canada, it is entitled to greatly increased recognition in the way of expenditure on works of public development; but even if the ratio of our contributions were not as three to one, as it is at the present time, the material results to the Dominion arising out of the greater development of British Columbia would, as a business arrangement, more than compensate for the outlay involved by reason of any comprehensive scheme that might be mutually undertaken by the two Governments.

"The problem, therefore, is this:-

"First, the Province is entitled to increased subsidies or financial assistance in some form.

"Second, the direct results to the Dominion will justify increased expenditure without in any way increasing the financial burdens of the Dominion as a whole......
"If the Province of British Columbia had returned to it each year a fair proportion of the net revenue contributed, it could itself undertake the problem of railway development, but I have hesitated for the present to concur in a suggestion that has been made to offer to the Dominion a commutation of all existing claims for an annual allowance of one million dollars a year for fifty years, to be applied to internal development. My hesitation is due not to the extravagance of the proposal, because I regard it as a wholly reasonable one, under the circumstances, but to the apprehension that it would so seriously disturb present Federal relations as to be regarded as impracticable. Upon mature consideration the Delegation have decided to appeal upon the merits of our cause to the Dominion for such a measure of increased expenditure, on the lines suggested, as would fairly compensate the Province in the future."

Mr. Dunsmuir's plan was for the development of a system of local lines of railway, to be accomplished by the combined action of the two governments. The Dominion, he suggested, should pay at the ratio of two-thirds to the Province's one-third of the cost. That is to say, if the total assistance decided upon were $12,000 per mile, the Federal Government should pay $8,000 of that amount, and the Province furnish the remaining $4,000.

To support his statement that the Province was being unfairly treated, the Premier appended a detailed analysis of Federal Revenues and Expenditures in British Columbia since 1872. These he showed to total $42,475,349 and

(1) Dunsmuir to Laurier; Jan. 28, 1901; "B.C. Sessional Papers, 1901, p. 559.
For Memorandum see p. 563.
$28,968,091 respectively. (1)

The Delegation's claim for a greater share of the tax collected under the Chinese Restriction Act was that the Province bore the evil effects of Chinese immigration, for while Chinese formed only one five hundred and twenty-sixth of the population of Canada, in 1891, they formed one-eleventh of British Columbia's population that year. (2)

The fisheries dispute was discussed at length in a letter from Premier Dunsmuir to Louis H. Davies, dated January 23. Here again, the Premier qualified all his proposals with the observation that in the past the administration of fisheries had not given complete satisfaction to

(1) See B.C. Sessional Papers, 1901, pp. 567-568; 568A; 568B. The following paragraph of the Dunsmuir letter quoted above, is perhaps of interest: "In respect to the Customs, comparisons have frequently been made between the revenue contributed by British Columbia and the revenues contributed by other Provinces, but, taking the other provinces individually, it is impossible to arrive at any just or accurate statement of their contribution to the Dominion, for the reason that the goods entered at the various ports where the Customs collections are made are distributed throughout the other Provinces by the wholesale trade, but in the case of the Province of British Columbia nothing imported through the Customs is exported to Provinces in the East and therefore everything imported is consumed by, and the tax is paid by the people of the Province." (See p. 563 of Sessional Papers, 1901.)

(2) See ibid, p. 568.
the Province. He showed that the fishery revenue contributed by British Columbia since 1872 had been about $300,000, while the expenditure within the Province, up to June 30, 1900, had been only about $175,000. Furthermore, he declared, expenditure in the eastern provinces in the past had each year many times exceeded the revenue. Since 1872, the total fishery revenue of the whole Dominion had only amounted to $1,280,000, while the total expenditure had been about $7,500,000, yet his Province individually had received less than it had contributed. (1) At the moment, the exact limit of the respective rights of Province and Dominion was very much in doubt. (2) However, Mr. Dunsmuir had the following observations to make on that subject, and further he had a suggestion which he believed might avoid any difficulty with respect to British Columbia.

(1) For the fiscal year 1898-1899, the total fisheries revenue for all of Canada was $76,447.75, of which B.C. alone contributed $45,801.75, or about three-fifths. Expenditures on account of the fishing industry in Canada for the same year totalled $408,754.93, of which B.C.'s share was $12,195.61. (See "B.C. Sessional Papers", 1901, p. 570.)

(2) Under the decision of the Judicial Committee of the Privy Council in the "Fisheries Case" the respective rights of the Province and Dominion were still very much in doubt. (See 1898 "Appeal Cases".)
"The right of the Province to fishery revenue arising out of licenses, so far as inland waters and rivers are concerned, is admitted, and I shall not discuss that phase of the subject. The right of the Province to within territorial waters, or the three mile limit, is still an open question, with, I am advised, a strong probability in our favour in case of a reference to the Courts.

"It has been suggested, however, that on grounds of public policy an arrangement should be entered into whereby the Dominion would continue the administration and control of all the fisheries of the Province, and the Delegation, are, subject to the will of the Legislature, agreeable to negotiate terms of settlement on that basis. ....

"In view of present conditions and the possibilities of the future, based on the growth of industry in the past, it is fair to assume that the revenue will ultimately reach $100,000 per annum.

"We are agreeable, therefore, to recommend to the Government of British Columbia that, in lieu of an annual payment of $50,000 by the Dominion to the Province, the control of the fisheries be allowed to rest exclusively in the Dominion."(1)

When on February 1st, the House assembled at James Bay, the Speech from the Throne gave no hint of the measure of success attending the efforts of the Ottawa Delegation. As a matter of fact, there was little the Delegates could report at that time, Mr. Dunsmuir, for his part, being as much in doubt as anyone else. On March 6, 1901, he

(1) Dunsmuir to Davies, Jan. 23, 1901; B.C. Sessional Papers, 1901, pp. 568-570. Mr. Dunsmuir also proposed a payment of $100,000 a year to aid shipbuilding on the coast. This was in lieu of past damage done by the unfair division of fisheries revenues. Also see Dunsmuir to Burdis, April 16, 1901; Premier's Letter Book (1900-1903)—a manuscript on file in the Premier's Office, Victoria.
telegraphed to Sir Wilfrid Laurier as follows:

"Would be pleased to have your immediate and kind consideration of our communications. House in Session and much depends on nature of your reply, particularly with reference to railway development, fisheries and questions Oriental immigration and British Columbia's share capitation tax."(1)

The answer brought little assurance, the Prime Minister simply stating that he would give an answer "as early as possible". (2) And as the Session progressed, so did the demands become more insistent that the cabinet acquaint the House with events at Ottawa. On March 12th, Mr. Dunsmuir again telegraphed Sir Wilfrid, this time seeking permission to bring down the papers connected with the Delegation. On the same day, the Prime Minister wired his willingness (3) and on March 25, 1901, the returns were published. (4)

However, the returns when published contained no intimation of the success or failure of the delegates' efforts. Apparently willing to wait no longer upon the Dominion to reply to requests for assistance to gauge its own policies, the local Government took the initiative and introduced a

(1) Dunsmuir to Laurier, March 6, 1901; B.C. Sessional Papers, 1901, p. 586.
(2) Laurier to Dunsmuir, March 6, 1901; B.C. Sessional Papers, 1901, p. 587.
(3) Laurier to Dunsmuir, March 12, 1902; B.C. Sessional Papers, 1901, p. 587.
(4) See Colonist, March 26, 1901, pp. 9-12.
Loan Bill for $5,000,000 on April 23rd for the purpose of aiding railway construction. (1)

That same day Mr. Dunsmuir telegraphed Ottawa with reference to the fisheries conversations. (2) This was prompted by the actions of the local canners. On April 10th a Memorial had been presented to the provincial cabinet signed by Messrs. Alex. Ewen, R. J. Kerr, G. I. Wilson, W. Farrell, and D. Bell Irving for sixty of the Province’s seventy-four canners requesting the Government to "assume control of fisheries and administer them". On April 23rd a similar Memorial was presented, signed by W. D. Burdis on behalf of the B. C. Canners’ Committee. (3) Mr. Dunsmuir’s telegram to Ottawa, stressed the need of action as the Session was nearing completion, and warned the Dominion authorities "all of the canners, without exception have approached the government asking them to negotiate with you towards taking over the

(1) See Colonist, April 24, 1901, p. 1. The Loan Act discarded the idea of out-and-out bonuses, and put provincial aid in the form of a loan repayable at the discretion of the company receiving it, but bearing 3 per cent interest for 5 years and 3 per cent thereafter. It also secured the government control of rates and supervision of contracts.

(2) Dunsmuir to Laurier, April 23, 1901; see Colonist, April 25, 1901, p. 7.

(3) See Hansard, 1901; Vol. II, p. 4091.
fisheries of the province". The Prime Minister wired the following reply the same day:

"Council has not been able to consider fishery question yet. Your proposal to surrender provincial rights for limited number of years for fixed sum has not been recommended by Minister of Fisheries, who thinks that further decision of privy council on respective rights of Dominion and province on sea coast should be first obtained. Test case now being arranged with Quebec to decide these rights. This government could not entertain your alternative proposal to surrender Dominion fishery rights to the province."(1)

With this reply the Government decided to take definite action. On May 1st the "B. C. Fisheries Act, 1901" was introduced. This Act was expressly stated to apply to "all fishing and rights of fishing and all matters relating thereto, in respect of which the Legislature of British Columbia has authority to legislate", and provided for the appointment of a Board of Fishery Commissioners to make regulations for "better management, conservation and regulation" of fisheries. Hon. D. M. Eberts, in moving the second reading of the bill, said he had "no desire to antagonize the Dominion government, but only to secure the province all her rights in the fisheries and to enable the government to deal to the best advantage with this most important industry".(3)

(1) Laurier to Dunsmuir, April 23, 1901; see Colonist, April 25, 1901, p. 7.

(2) See Colonist, May 2, 1901; p. 6. A single Commissioner (Mr. J. P. Babcook) was substituted for the Board of Commissioners provided by this Act. See"Colonist," June 15, 1902, p. 8, in which the amendment is discussed.

(3) See ibid, May 3, 1901, p. 6.
Curiously enough, the day before this act reached the Legislature for the first time, the Commons at Ottawa was debating British Columbia's claims. The Prime Minister had just moved that the House go into committee to consider the vote of supply required for British Columbia, when Hon. E. G. Prior rose in his place and once again, as on so many previous occasions, outlined his Province's grievances at length. His arguments were not new; but they were now backed by a delegation headed by the Provincial Premier which had journeyed from Victoria to Ottawa to place arguments of a similar nature before the national cabinet. Yet the debate which followed shows clearly how little British Columbia's case was understood, even by the Prime Minister, or if understood, purposely evaded. As an eloquent word-picture, which gives indisputable evidence of what was referred to in the opening chapter as the "eastern Canadian complex", the incident is here rather fully quoted.

Mr. Prior had just explained British Columbia's excessive contribution to the federal treasury and remarked that the reverse was true of other provinces, when the following proceedings, taken directly from Hansard occurred:

Mr. Prior: "If that is not the case, how is it that the public debt has increased from $122,400,000 in 1872, to $346,206,000 in 1900, or an increase of $223,806,000. Not one cent of that has gone to British Columbia, because we find that she is credited
"with $13,000,000 odd. She has not only paid that $13,000,000 but she is responsible for a share of the increase of the public debt."

"An Hon. Member: 'What about the Canadian Pacific Railway?'

"Hon. Mr. Prior: 'The Canadian Pacific Railway is not taken into account, for the simple reason that it is not a British Columbia railway. It is just as much for the benefit of Prince Edward Island as for the province of British Columbia. It is a national highway.'

"Mr. Clancy: 'Its construction was one of the conditions upon which British Columbia came into Confederation.'

"The Minister of Finance: 'Would my hon. friend (Mr. Prior) reverse the rule in reference to the Prince Edward Island Railway, and say it is for the benefit of British Columbia.'

"Hon. Mr. Prior: 'I do not think it is. I do not think the railway built from Victoria to Nanaimo is for the benefit of the rest of the Dominion. But the $750,000 given as a bonus to that railway by the Dominion government as part of the terms of Confederation, is included in the sum which I say has been spent in British Columbia.'

"Mr. Gourley: 'The Canadian Pacific Railway is in the same situation.'"(l)

The Prime Minister's reply was lengthy, but remarkable for its lack of substantial answer to British Columbia's claim—laid before him now not only by the Province's federal members, but by the provincial cabinet as well. "Hansard" quotes Sir Wilfrid as follows:

"I think the House will be of opinion after listening to the general tenor of the hon. gentleman's remarks, that the grievances referred to are not very serious at all. . . .

"The main complaint which my hon. friend (Hon. Mr. Prior) makes is one which is very much to the credit of his own province. It is that the people of British Columbia contribute largely to the revenue of the country. That we are all aware of and that we are all proud of, and if there is one portion of our population which ought to be proud of it more than another it is the people of British Columbia themselves. It must be admitted that man for man the people of British Columbia contribute more to our revenue than the people of any other portion of Canada, and it is very much to their credit. It shows that they are an enterprising people and a wealthy people, and that they are not the long suffering people which the hon. gentleman from Victoria would make them to be."

A curious answer this to Mr. Dunsmuir's claims and his predecessors' yearly failures to produce anything but a deficit in the Treasury Department at Victoria. It can hardly be taken as the Prime Minister's serious and considered reply to British Columbia's problem. Rather, it leaves him open to the criticism of not having, even then, considered that problem with the seriousness it deserved.

With regard to the Oriental immigration problem he made it clear that whatever the report of the commissioners investigating the question found a difference would be

(1) Canadian Hansard, 1901; Vol. II, pp. 4104-4105.

(2) A commission was at that time investigating the Oriental problem in British Columbia, and its effect upon the people of the province.
made by the Dominion Government between Japanese and Chinese immigration. He made it equally clear that he was not at all sure himself that restriction was even desirable. After all, he remarked, and not in jest, the steamship companies carrying Orientals must be considered.(1) In one respect he did promise definite reform. In speaking of the one-quarter at present allotted to British Columbia out of the Receipts of the Chinese Immigration Tax, he said the Government realized that the proportion was "not perhaps absolutely fair, and they propose before the lst of July to revise and increase it."(2)

Of the Province's request for assistance in railway development, he had the following well guarded reply:

"Speaking individually, from the general observation, and not expressing any policy on behalf of the government, it seems to me only fair that the great and growing cities of the coast should have direct communication with the mining centres of British Columbia. .... And the Government at the proper time .... will consider that question."(3)

Small wonder it is that with the end of the British Columbia Session, even such a government supporter as the Colonist, should thus have lamented the apparent failure of

(1) See Canadian Hansard, 1901; Vol. II, p. 4106.

(2) Ibid., 1901; Vol. II, p. 4107. On the occasion of the Prior Mission in 1903, the delegates were still asking for an increase, which had not been given up, to that time, two years after this assurance was given. (See p. 110, for an account of the immigration conversations of 1903.)

(3) Canadian Hansard, 1901; Vol. II, pp. 4107-4108.
the negotiations which had taken the Premier and Hon. D. M. Eberts to Ottawa:

"Doubtless they will be taken up in time, but the fact that none of them has been disposed of has unquestionably produced a feeling of disappointment with the result of the session, so far as the relations of the province and the Dominion are concerned."(1)

In this case, failure produced results possibly more far reaching than success would have done. In the nine months which elapsed before Mr. Dunsmuir again met the House, a change, momentous in its proportions, occurred. When the Premier opened negotiations in October 1900, it will be remembered that he had definitely disclaimed any idea of securing "better terms" for his Province. He sought aid for railway construction; he asked for greater protection from the immigration of Orientals and increased compensation for the havoc wrought by their presence; he attempted to secure a sympathetic hearing for the several other outstanding grievances of his Province; but he did not seek a revision of the terms upon which British Columbia entered Confederation. He was simply fulfilling the policy which the Turner Government had laid down in 1898, as he himself said. With the failure of his appeal to bring any tangible results, Mr. Dunsmuir completely changed front. In the nine months between the two sessions he adopted a policy calling for a

(1) Colonist, May 12, 1901, p. 4.
definite revision of the Union Terms. In part, the facts upon which he based the Province's claim for such a reform were identical with those he formerly urged as reasons for the Federal Government aiding his railway development programme; and they had been discussed in one way and another in the Legislature many times since Confederation. But they were now for the first time adopted by the Government as a basis of an attack on the Union Terms themselves.

There is a vast difference between seeking additional aid and demanding revision of a constitutional agreement. Some­where between the prorogation of the House in May 1901 and the end of the year that change took place, and officially the "Better Terms Movement" received its political birth in British Columbia. No longer was it hinted at by editors; no longer did legislators vaguely approach the subject under the guise of securing railway grants; "Better Terms for British Columbia" was now a political issue, for it had become the Government's official policy.

The exact date of Mr. Dunsmuir's conversion to such a plan cannot be fixed with accuracy; but it was on January 7, 1902, that he dispatched his letter to Sir Wilfrid Laurier requesting a convention, to include the other provinces if necessary, to discuss a general revision of the Union Terms. This letter, unpublished in any of the
documents connected with the Better Terms Delegations, marks a definite milestone in British Columbia's history, for it is the first official demand for a revision of the Union Act coming from the Pacific Province. (1) In it, the Premier openly admits to Sir Wilfrid "a feeling of disappointment in not having had a definite reply as to whether those representations, in whole or in part, had received, or would still receive the consideration" of the Ottawa authorities. The policy of the provincial government submitted at the Session of 1901 was, Mr. Dunsmuir explained, based on "reasonable hopes" of assistance from the Dominion. When there was no announcement of federal policy forthcoming from the Minister of Railways, the local government was obliged to provide for conditions upon which aid would be given to assist railway lines. This did not preclude further negotiations with Ottawa. The provincial government was quite willing to alter those conditions if necessary to suit the federal authorities. This is the position which his government still maintained, but the problem as he now saw it went far deeper than mere railway subsidies. Then abruptly he turns to the theory he had so carefully denied one year earlier, proceeding:

(1) See Dunsmuir to Laurier, Jan. 7, 1902; "Premier's Letter Book", 1900-1903.
"While in Ottawa last winter I had not fully thought out all the matters affecting the relations of the Province and the Dominion; but it occurred to me and I mentioned it in conversation that the claims of the province should be commuted for a yearly sum in addition to the subsidies received. I did not perhaps state the exact grounds, apart from the excess of revenue paid to the Dominion over and above the appropriations made in return—which is yearly very large and growing larger, upon which such a proposal should be based. You, however, have only to consider the peculiar circumstances and conditions of this Province as compared with other provinces, to fully appreciate our position. ....

"The Government of British Columbia is working under conditions absolutely unique in Canada, and must for all time to come remain at a disadvantage as compared with the Governments of other Provinces—I mean in respect to equilibrium of revenue and expenditure...(1)

"While all this is true, the sources of revenue provided for under the constitution are precisely the same as in the East. ....

"The potential sources of revenue belong to the Dominion. We have proved to you that we pay three times the average contribution of Canada to the Dominion, and get less than half back. ....

(1) Mr. Dunsmuir mentioned as reasons for this—

(a) The population of B.C. can never be as large in proportion to its area as other provinces.

(b) Added cost of administration due to isolation of communities.

(c) B.C. entered Confederation with roads, bridges, railways, etc., practically unbuilt. In the older provinces these were "to a large extent completed", and hence their public debts being assumed by the Dominion, they started with "a clear sheet and greatly reduced responsibilities."

(d) The physical conditions: "Every road or railway costs three or four times per mile what it does in other parts of Canada".
"What we now ask the Dominion Government to do is without further delay, to take these matters seriously into consideration and arrange for a convention between the Province and the Dominion for the purpose of reviewing the whole facts of the case, and arriving at better terms. Our object is to reach a solution as the result of fair, open and impartial investigation, and by no argument other than is just and equitable to appeal for decision."

Mr. Dunsmuir's letter in reply to Sir Wilfrid's acknowledgment of January 22nd leaves no doubt of the comprehensiveness of his scheme. "Any settlement that may be arrived at ought, in our opinion, to be comprehensive and complete and not in any sense, piecemeal", he writes, adding, "The proposal involved in my letter of the 17th ultimo (it was the 7th) was for a convention and not merely a conference, where our claims could be presented pro forma and judicially considered and decided upon—a convention in which, if necessary, other provinces would be officially represented."(1)

On February 12th Mr. Dunsmuir withdrew his offer to transfer the fishing rights of the Province to the Dominion for a payment of fifty thousand dollars per annum, explaining that as no further negotiations had taken place with reference to his proposal it was his intention to renew the discussions during the proposed better terms conversations, which at that time were tentatively scheduled to take place.

(1) See Dunsmuir to Laurier, Feb. 10, 1902; "Premier's Letter Book", 1900-1903.
after the present session of the Dominion House. (1)

In the course of a defence of his policies, the Premier on January 12, 1902, addressed an open letter to the electorate of British Columbia, in which his conversion to the Better Terms doctrine is announced to the public in these terms:

"With a population the smallest of all the provinces, British Columbia is the province that has done the most for Canada. It has in 30 years paid to the Dominion $15,000,000 more than it has got back. During the same period the debt of the whole of the Dominion has been increased by over $125,000,000. What do these facts prove if not the correctness of our contention? Impressed with the great weight of circumstances against us under such an arrangement as at present exists, we have renewed the correspondence with the Dominion on the subject, pointing out clearly that owing to the peculiar physical conditions of the province—the greatly increased cost of administration as compared with other provinces (three times greater) under the Terms of Union it is difficult if not impossible to maintain an equilibrium between revenue and expenditure. We have asked for a convention between the two governments to review the whole facts of the case and by a fair, open and impartial investigation arrive at a readjustment." (2)

When the Speech from the Throne was read on February 20th it merely announced that negotiations with Ottawa had been continued and that an agreement had been reached for the further discussion of "matters affecting the relations

(1) See Dunsmuir to Laurier, Feb. 12, 1902; "Premier's Letter Book", 1900-1903.

(2) Colonist, Jan. 12, 1902, p. 1.
of the province of British Columbia and the Dominion of Canada under the Terms of Union". (1) More significant was the opening speech of Mr. Prentice, who had become Minister of Finance during the interval. He reviewed the familiar grounds upon which the Province based its complaints, and then he went further to discuss the whole history of the Better Terms movement in other Provinces. He outlined the agitation in Nova Scotia and the revision granted that province in 1869, quoting voluminously from the letters of Howe and Macdonald. He cited the constitutional objections of Edward Blake to any change in the original terms, their reference to the Law Offices of the Crown and the decision upholding the validity of the revisions by virtue of Section 31 of the B.N.A. Act. Then he proceeded to review the several additional grants given to New Brunswick and Prince Edward Island as well as Nova Scotia. These had established the right and willingness of the Dominion to eliminate inequalities under Confederation. But why had British Columbia been omitted from the benefits of such a policy? With a flourish, he prophesied that the Dominion would be "forced to recognize the justice of British Columbia's claim for

(1) Colonist, Feb. 21, 1902. It is noteworthy that three days later a resolution asking for a revision of subsidies provided by Confederation was passed by the Quebec Legislature, and it was this activity on the part of the Quebec government that precipitated the Interprovincial Conference of 1902.
better terms". (1) Here was a rousing speech quite unprecedented in the local House. Never before had a speaker so thoroughly reviewed the history of the other provinces' claims for better terms, and the successes that had attended their efforts in contrast to British Columbia's failure to even obtain a "fair" share of federal expenditures. In a way, it may be classed as the first 'better terms' speech in the legislature at James Bay.

Even more convincing was his Budget Speech. Here he announced that a conference had been arranged for the fall (2) to discuss British Columbia's claim for better terms. This demand for increased subsidies, he announced, was based on three contentions: first, the great disparity between the revenues and expenditures of the Dominion in B.C.; second, that on account of the physical configuration of the country the cost of administration is necessarily higher than other provinces; third, "that on account of our remoteness from the wholesale centres of the East, from which we receive a very large percentage of our supplies, the freight rates impose an additional burden which is not felt in Eastern Canada." Again he ended with a challenge that a

(1) Colonist, March 19, 1902, p. 6.

(2) The Conference, however, did not take place then, due to the detention of Sir Wilfrid Laurier in London for the Coronation ceremonies, and the later change of governments at Victoria.
like demand had "induced the Dominion government to grant better terms to Nova Scotia"\(^{(1)}\) and thereby could do no less for British Columbia.

The session itself, the longest in the Province's history up to that date, brought little satisfaction to a government pledged to railway development and a Province wearied of confusion. The Premier had offended certain of his supporters by his rapprochement with Joseph Martin in September of 1901 as a result of which Mr. J. O. Brown had been invited to join the cabinet. This had necessitated the resignation of Hon. J. H. Turner, who was appointed Agent-General in London, and the shifting of Hon. J. D. Prentice to the Finance Department. The result was disastrous for the Dunsmuir government. The Premier's actions (alienated the support of Richard McBride, who resigned from the cabinet, and a large body of his followers. The former Minister of Mines threw the whole force of his surprising political talents against the new cabinet minister in the by-election which followed his appointment. The result was Brown's defeat. Thus, meeting the House in face of a cabinet member's defeat and another crossing the floor of the House to become Leader of the Opposition, the Dunsmuir

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\(^{(1)}\) See Colonist, April 29, 1902, p. 8.
Government's position was precarious. On February 26, 1902, Col. E. G. Prior, who had been unseated at Victoria as a federal representative, was appointed Minister of Mines, and managed to carry the by-election by a small majority. But the Government was further embarrassed by the death of Speaker J. P. Booth which left North Victoria vacant. Throughout the session the Administration was never secure in its voting power, and continually subjected to bitter abuse by Mr. McBride and his followers. Prorogation alone finally brought relief from four months of almost uninterrupted harrassing.

Wearied of the struggle, Mr. Dunsmuir finally resigned on November 21, 1902. He was not a politically-minded man and his entrance into provincial politics had not been of his own initiative. When he was finally induced to take the premiership, he had done so in the hope that he might be permitted to bring the stable government which the country so sorely needed. He took office with a firm determination to carry out the Turner Government's policy of expansion with federal aid, which the two previous years of confusion had halted. From the first his lot was not an easy one, and the last year must have convinced him that he had failed in his task of bringing order and stability out of chaos.

Thus Mr. Dunsmuir did not long occupy the political stage. Yet his leadership is noteworthy in a discussion of
British Columbia's campaign for Better Terms. His trip to Ottawa and his failure to secure the aid he desired turned his attention to a new and vastly more important aspect of the same problem, with the result that he raised to political prominence one of the few policies that have transcended all parties in this Pacific Province—the claim for a comprehensive revision of the Treaty of Union.
CHAPTER IV.

The Prior Regime.

"Fully impressed with the justness of our cause, it is not our intention to relinquish its advocacy or depart from the course we consider in equity to be our right and duty to pursue and I trust that no Government that may succeed the present will do less."(1) When Premier Dunsmuir wrote this paragraph in his historic letter of January 7, 1902, little perhaps did he realize that within a year and before the very conference which he himself arranged following this communication could be held, he would be succeeded in office by another. In November, 1902, as we have seen, he retired from the premiership.

It must have afforded Mr. Dunsmuir some pleasure and satisfaction to know, when that event occurred, that it was Col. E. G. Prior who was called upon to form a Government. For Col. Prior in the past, as a federal representative, had abundantly expressed his convictions in the matter of his Province's treatment and had schooled himself in the details of its claims, and he was therefore a man who could be expected to carry on with determination and vigor the work so ably begun by his predecessor.

(1) Dunsmuir to Laurier, Jan. 7, 1902; Premier's Letter Book, 1900-1903.
Col. Prior sent his first message to Sir Wilfrid Laurier, in his new capacity, on November 28, 1902. It is an earnest of his sincere sympathy with the cause espoused by his predecessor that Premier Prior was in office only one week when he took up the matter of better terms. In his letter he explained the delay in the proposed conference, due to Mr. Dunsmuir's detention at London for the Coronation Ceremonies and the later difficulties attendant upon the change of governments at Victoria, and expressed his desire for a meeting "at as early a date as can be arranged."(1)

Meanwhile, on November 20, 1902, Hon. S. N. Parent, Premier of Quebec, dispatched a letter to the other provincial premiers, inviting them to a meeting the purpose of which would be to adopt a joint resolution requesting increased subsidies from the Dominion. Mr. Parent had approached Sir Wilfrid Laurier on the matter before the Prime Minister's departure for Europe, in the preceding June, but at the latter's request the matter was left in abeyance until his return. The Quebec Premier in his letter took the ground that as a result of the increase in population since Confederation the federal revenues had mounted steadily, whereas the provincial incomes had failed to develop in commensurate proportion with the added cost of

(1) Prior to Laurier, Nov. 28, 1902; Premier's Letter Book, 1900-1903.
government which the greater population brought. For this state the one remedy was increased subsidies from the Dominion. (1) A resolution embodying this belief, it will be remembered, was passed in the Quebec legislature during the preceding session. (2)

With this procedure, so far as it went, British Columbia was heartily in sympathy; it claimed, however, that as a Province it had a very special claim for increased consideration over and above what might possibly be granted to the other provinces. There is no doubt Col. Prior would have attended the conference at Quebec had it been possible and laid before it his Province's case, but it was an unfortunate incidence of conditions at Victoria that a delegation was unable to go from that capital. (3) The message


(2) The Quebec resolution read: "That in the opinion of this House the revenues allotted to the various provinces by the British North America Act are insufficient to allow their meeting the requirements of the public service...." See Colonist, Feb. 23, 1902, p. 1. Also see Canadian Hansard, 1902, Vol. I, p. 441.

(3) Mr. Parent's letter was sent to Premier Dunsmuir, who handed it to his successor. Col. Prior answered the Quebec Premier on Dec. 24, 1902, expressing his sympathy with the cause of better terms, briefly explaining his Province's position and acquainting him with the fact that a conference between B.C. and the Dominion had been arranged for January. From this letter it is clear that Premier Prior intended going to the inter-provincial conference. (See Prior to Parent, Dec. 21, 1902; Premier's Letter Book, 1900-1903.)
notifying Premier Prior of the date of the meeting was only received on the afternoon of the day upon which it would have been necessary for him to have started in order to reach Quebec in time.\(^1\) Faced with two by-elections and the added fact that several of his cabinet ministers were absent from the capital at the time, attendance was out of the question. In any case, however, it would have been almost impossible, for already arrangements for a British Columbia delegation to meet the Ottawa Government early in January were practically completed.\(^2\) Two trips east, or a very long stay there in order to attend both meetings were alike impossible. As a result, Premier Prior necessarily expressed his concurrence from a great distance.

When the conference met at Quebec on December 18, 1902, delegates were present from all the provincial governments, except British Columbia and Ontario. Premier G. W. Ross of Ontario, however, transmitted to the meeting a memorandum containing his views on the questions to be discussed. In his opening remarks, Mr. Parent pointed to the increasing cost of government, exhibited by his province's expenditure of $4,707,932.24 in 1900-01, as against

\(^1\) See Prior to Parent, Dec. 12, 1902; Premier's Letter Book, 1900-1903.

$1,183,238.44 in 1867-68, in contrast to the Dominion's revenues which had developed from $13,687,928 in the year after Confederation to $51,029,994 in 1900. This was proof, he declared, "that in demanding from the Federal authorities an increase in the subsidy per capita we are asking for a simple act of justice". This is a vitally different basis of attack upon the Union Terms than was British Columbia's. Mr. Parent had no objection to relative treatment of his Province as compared with the others at or after Confederation. His contention was simply that increased population demanded increased subsidies. This also was Ontario's position and this too was the basis on which the entire findings of the conference relied. Not so simple, as we shall see, was British Columbia's attack upon the Union Terms.

The result of the Quebec Conference was a resolution,


(2) For proceedings at the conference, see ibid., pp. K 29-K 39. The following paragraph from Premier G. W. Ross's statement is enlightening: "The present basis ignores the fact that, while the increase of population lightens the burden of the Dominion inasmuch as it multiplies the contributors to the revenue from customs and excise, the increase of population adds to the burdens of the Provinces without any corresponding contribution towards their maintenance." (p. K 36.)
passed unanimously, which suggested a new basis for Dominion
grants in lieu of the allowance of eighty cents per head.
The meeting declared that at the time of the B.N.A. Act,
"it was impossible to foresee the development of the
Dominion, and to fix in a definite and unalterable way the
distribution of the revenue". The conference therefore
suggested the following basis:

"A. Instead of the amounts now paid the sums here-
after yearly by Canada to the several Provinces for
the support of their Governments and Legislatures to
be as follows:

(a) Where the population is under 150,000 $100,000
(b) Where the population is 150,000 but
does not exceed 200,000 150,000
(c) Where the population is 200,000 but
does not exceed 400,000 180,000
(d) Where the population is 400,000 but
does not exceed 800,000 190,000
(e) Where the population is 800,000 but
does not exceed 1,500,000 220,000
(f) Where the population exceeds 1,500,000 240,000

"B. Instead of an annual grant per head of the
population now allowed, the annual payment hereafter
 to be at the same rate of 80 cents per head, but on
the population of each Province as ascertained from
time to time by the last decennial census, until
such population exceed 2,500,000; and at the rate of
60 cents per head for so much of said population as
may exceed 2,500,000.

"C. The population as ascertained by the last
decennial census to govern, except as to Manitoba
and British Columbia; and, to these two Provinces,
the population to be taken to be that upon which,
under the respective statutes in that behalf, the
annual payments now made to them respectively by
"the Dominion Government are fixed until the actual population is by the census ascertained to be greater; and thereafter the actual population so ascertained to govern.

"D. The amounts so to be paid and granted by the Dominion to the Provinces half-yearly and in advance."(1)

This resolution is of the greatest importance because it contains in compact form the views of six of the then seven provinces of Canada on the subject of better terms, and must therefore be of profound significance in case of a general revision of the Union Terms. It is, however, open to serious criticism on two points. At the outset, the delegates had asserted that it was impossible for the Fathers of Confederation to foresee the actual effect of their financial arrangements in operation, and that thirty-five years of union had shown that inequalities existed in original agreement. Yet the delegates at Quebec in 1902 thereupon proceeded to do for following generations the very same thing which they alleged the delegates at Quebec in 1864 were incompetent to do. Why should they suppose they were any more able to make a final settlement than the Fathers of Confederation; and conscious of the fallacy in

(1) The Conference of 1887, held at Quebec, at which British Columbia was not represented, passed a similar resolution to this. Paragraph 5 of the 1887 resolution said that the new basis suggested was for "a final and unalterable settlement of the amounts to be yearly paid by the Dominion to the several Provinces". See B.C. Sessional Papers, 1903, p. K33. For above resolution see p. 39. These terms were later incorporated in B.N.A. Act, 1907, (see Appendix).
latter's position, why did they not provide in their resolution for an easy means of periodical adjustment and revision? Secondly, the chief reason for the proposed change was that the increase in population since 1897 brought a relatively greater increase in the cost of provincial government than allowed for under the financial clauses of the Union Act. Under that Act, the two paramount sources of revenue open to a province were taxation allocated by it to the provinces and the federal subsidies. The former varies naturally with the population, and by making the latter depend directly on the nearest census returns instead of a fixed or theoretical population, the provincial premiers declared financial equilibrium alone could be achieved. Yet, that being the case there could hardly be a limit set to the principle. In other words, it may have been expedient not to ask for more than $240,000 as a direct grant, but it was certainly not logical in view of the grounds on which any increase was being demanded. There could be no reason for assuming that administration expenses would remain stationary after the population had reached 1,500,000, or that they could be met solely out of the variations of provincial taxes, and the fixed grant of eighty cents a head, which at the 2,500,000 population mark became sixty cents.

Mr. Prior amplified his Province's position in respect
to the conference's proposals in a letter to Mr. Parent, dated January 3, 1903. (1) While endorsing the general objectives of its findings, Mr. Prior made it quite clear that he felt the resolution did not go far enough to meet the special requirements of his Province. Physical characteristics placed British Columbia on an entirely different basis to any other in the Union, and of this the Conference had taken no cognizance.

On January 16th, Col. Prior received a telegram from Sir Wilfrid Laurier advising him of the meeting arranged for January 27th with the other Premiers for the purpose of discussing their resolution, and inviting British Columbia representatives to be present. (2) The next day, the Premier and Attorney-General D. M. Eberts left for the national capital. They arrived in Ottawa on the afternoon of Friday, January 23rd, having arranged by wire with Sir Wilfrid, on the way, for a meeting with the federal cabinet on the following Monday. (3)

At that conference Col. Prior outlined the subjects which he proposed to discuss; which were, besides the


readjustment of financial relations between the two governments, the fisheries question, the regulation of Mongolian immigration into British Columbia and the division of the taxes collected under the Chinese Immigration Act, and the readjustment of some of the Indian reserves. In view of the meeting of the provincial Premiers and the federal cabinet, scheduled for the next day, British Columbia's claims for increased financial assistance were not discussed. This meeting was primarily occupied with consideration of the fisheries question, of which branch of the negotiations Hon. D. M. Eberts had special charge. (1)

(1) Subsequently, on February 3, in a letter to Sir Wilfrid Laurier, the delegates recalled that following the Province's announcement of its intention in 1901 to avail itself of the rights under the decision of the Privy Council (see p. 83) an agreement was reached between the Province and the Department of Marine and Fisheries, whereby it was agreed that the Dominion should remain in control and account to the Province for such proportion of licence fees as might be agreed upon, in case of disagreement the proportion being adjusted by a referee. The Dominion wished this system to continue until the full rights of the provinces were determined. The letter of February 3rd asked for a definite understanding as to what that proportion was to be, adding, "on our part we think there should be returned to the Provincial Government for fishery purposes that amount of revenue collected which is in excess of the operating expenses, or a fixed sum as may be agreed upon". (See Prior and Eberts to Laurier, Feb. 3, 1903; B.C. Sessional Papers p. K 181.)

Further conferences were held on the 4th and 5th at the latter a proposed settlement was handed to the Minister of Fisheries. This showed that during 1900-1901, 1901-1902, the years of the above agreement, the Province had paid in licences $44,984.28 more than was spent for salaries of officers, and cost of operating fish hatcheries (not including $25,490.35 spent in the erection of hatcheries at Skeena and Granite Creek. This was taken as being cleared by the 21
In preparation for the all-important meeting of that afternoon, a conference was held in Russell House on the morning of Tuesday, January 27th, at which the Premiers of all the provinces were present, together with many of their ministers. Printed documents containing the resolutions of the Quebec Conference and Col. Prior's letter respecting British Columbia's special claims were signed. The resolutions were formally presented at the afternoon conference by Hon. G. W. Ross, Premier of Ontario, Sir Wilfrid promising in reply that they would receive his consideration, (1)

The next day the question of Oriental immigration occupied the attention of the British Columbia delegates. Sir Wilfrid pointed out that legislation with respect to Japanese immigration would be unnecessary since the government of that country had of its own volition enacted restrictive measures. An act similar to the Natal Act would be unnecessary and unwise. With respect to the Chinese, the Dominion Government, the Prime Minister announced, would not in future disallow anti-Chinese legislation which it was

Footnote (1) continued from p. 108:
years previous of revenue exceeding expense (also see pp. K 45-52, K 54 of Sessional Papers). This sum, $44,984.28, the Province claimed as its rightful share for the year 1902-03, a fixed sum of 50 per cent of the receipts was suggested. (See Prior and Eberts to Prefontaine, Feb. 5, 1903; ibid., p. K 45.)

competent for the Provincial Legislature to pass. In respect to the refund of the Chinese head tax to the Province, Sir Wilfrid pointed out that an Act had been passed at the last session of the Dominion Parliament providing for an Order-in-Council for a refund of fifty per cent after July 1, 1902. The delegation urged that the Order-in-Council be passed immediately, and that the Act should be amended allowing the Province seventy-five per cent, and should apply to the whole period during which the Chinese Restriction Act had been in force.(1)

On February 4th a conference was held at which the whole question of the financial relations of Province and Dominion were discussed with the Prime Minister. Maps were produced, showing the settled and inhabitable sections of the Province, and a detailed analysis of the problem was left with the Dominion Government in the form of a memorandum. At the outset it is perhaps well to note Premier Prior's opening statement of the Province's claim:

"The position we take is not that the Dominion Government has violated the terms of union, or that we are entitled to compensation for lack of fulfilment in any substantial respect, as the performance of a legal contract could be construed; but we do contend that in the development of the constitution, in its actual operation, from the date of Confederation in 1871, that a state of affairs has grown up in British Columbia and in the Dominion, as the result of the union between

"the two, that has established a moral right and a sound constitutional claim on our part for increased recognition—a state of affairs that was not anticipated by either party to the Federal compact." (1)

British Columbia's case rested on the fact that the Nova Scotia settlement in 1868 had established a definite precedent for the adjustment of financial relations without a change in the B.N.A. Act; that, subsequently, similar actions in respect to other provinces had established that "it was not only competent but a matter of right and constitutional necessity on the part of the Dominion to apply that principle whenever and wherever the circumstances justify it." (2) British Columbia did not contend that it had been forced into Confederation as it was claimed Nova Scotia was, but as an actual fact there was little alternative left to her in the matter of terms. This, Col. Prior claimed, was because it was believed that British Columbia "would remain a drag on the Dominion" and that in including it in Confederation, Canada was "sacrificing material interests to a large extent in the interests of patriotic sentiment—that of 'rounding out Confederation'". (3) History had shown these fears to have been "entirely and absolutely erroneous and

unfounded: And .... their reasons having proved unfounded the Government of to-day is entitled in equity to recognize the consequence of those errors." (1)

These, the Premier declared, had resulted in inordinate benefits accruing to the Dominion, in contrast to the Province's yearly deficits. The 1871 settlement had completely failed to consider the "special circumstances" with which the government of British Columbia had to contend. These the Premier outlined as follows:

First: The cost of administration owing to the physical character of the country. Here Col. Prior submitted a table showing the comparative cost of administering justice, civil government, legislation, public institutions, public works and education in the provinces. This table, "substantially correct, though subject to correction in some details", showed the total cost of administration per person to be considerably higher for his Province than any other. (2) The Premier's totals were as follows:

<table>
<thead>
<tr>
<th>Province</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td>$11.62</td>
</tr>
<tr>
<td>Manitoba</td>
<td>4.00</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>3.00</td>
</tr>
<tr>
<td>Quebec</td>
<td>2.70</td>
</tr>
</tbody>
</table>

(2) Ibid., 1903, p. K 8.
New Brunswick $2.40
Nova Scotia 2.04
Ontario 1.85

In particular Col. Prior mentioned the cost of public works. Waggon roads cost as high as $4,544 per mile in West Yale, and other roads were mentioned at costs varying from $1,000 to $3,350 per mile. From returns published by the Ontario Department of Statistics, the British Columbia Premier made the following comparison in respect to the cost per head of government:

<table>
<thead>
<tr>
<th></th>
<th>Ontario</th>
<th>British Columbia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial</td>
<td>$1.85</td>
<td>$12.60</td>
</tr>
<tr>
<td>Municipal</td>
<td>6.00</td>
<td>1.75</td>
</tr>
<tr>
<td>Customs (average for Dominion)</td>
<td>5.28</td>
<td>16.00</td>
</tr>
<tr>
<td>Excise</td>
<td>2.00 (Included in Customs)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$15.13</td>
<td>$30.35</td>
</tr>
</tbody>
</table>

Second: The distance from the commercial, industrial and administrative centres of Eastern Canada. The evil effects of British Columbia's isolation from the rest of Canada in the political sphere were manifest, the Premier claimed, but it was the commercial aspect of the problem that was most keenly felt. The cost to the Eastern Canadian consumer of articles conveyed from such points as Halifax, Montreal and Toronto varied from 12-1/2 cents-per-100 pounds to 50 cents, in most cases. Occasionally it reached as high

as 75 cents. For British Columbia consumers, who since the C.P.R.'s completion had purchased the great abundance of their materials from Eastern Canada, the cost per 100 pounds ranged from $2.00 to $3.25.

Third: The non-industrial character of the Province, as compared with Eastern Canada, whereby a larger percentage of goods are imported and consumed, increasing the contributions to the Federal Treasury, in the way of taxes, in a ratio of three to one.

Fourth: The disadvantage of the Province in relation to the markets for its special products. While British Columbia buys for the most part from the older Canadian provinces, there were no markets in the East for her products. Ever since Confederation, the Province has "had to find a

(1) B.C. Sessional Papers, 1903, p. K 10. What were known as commodity rates, to meet the rates from New York to San Francisco and other coast points, were, however, lower. But in addition to the through rate the people of the interior of B.C. had to pay a large local rate, which in some cases equalled the through rate.

(2) This ratio was arrived at by comparing the per capita customs and excise collections for the whole of Canada with the per capita contributions of B.C. e.g. in 1899 these taxes for the whole of Canada amounted to $34,958,000 of which $2,657,500 was attributable to B.C. alone. On a basis of population, the per capita contributions here are for all of Canada $6.65, for B.C. $21.02. Similar figures could be quoted for other years. (See account of Dunsmuir Delegation, B.C. Sessional Papers, 1901, pp. 564-65; on which occasion this particular aspect of B.C.'s case was given more consideration.)
market in Great Britain and foreign lands for our lumber, fish, and minerals, and sell in competition with other nations, where there was cheap labour", in other words, to "buy in the dearest market and sell in the cheapest". (1)

Considerable space has been devoted to Premier Prior's memorandum, but with good reason, for it is at once a valuable link with the past and an indication of the future trend of the better terms movement in British Columbia. In pondering the claims which he outlined, one cannot but feel how well the ground had been prepared for the Premier by his predecessors and how his own federal parliamentary experience must have aided him at this time. The issues raised in his memorandum were not in any sense new. Until the completion of the Canadian Pacific Railway, Federal-Provincial relations centred about the construction of that road. The Province experienced financial difficulties from the outset and naturally there were occasional outbursts against Confederation and its terms. But these cases of bad feeling were isolated and in no way connected with later better terms demands or any other movement of the kind. The first concerted action that in any way anticipates the real better terms negotiations of this century is the campaign of the British Columbia members in

the federal house for cabinet representation for their Province. Beginning in 1893, that movement achieved its objective three years later with the appointment of Col. E. G. Prior to the post of "Collector of Inland Revenue". Its relation to the Province's better terms demands is simply that the argument of British Columbia's proportionately large per capita contribution to the Federal Treasury, which was the basis of those members' demand for cabinet representation in spite of the small actual population of the Province, is the same one which we find here in Premier Prior's memorandum. It has been expanded and enlarged, of course, but essentially it rests on the same ground.

By comparing this large contribution with the actual federal expenditures in the Province, the Turner Government concluded that something more tangible than membership in the federal cabinet could legitimately be demanded from Ottawa. Thus, British Columbia's "large per capita contribution" became her "Excessive Contribution", and was made the basis of a request for special federal railway subsidies to aid the local government in developing the Province.

Premier Dunsmuir carried the Turner programme to Ottawa, using the same arguments, without success.

One year later Mr. Dunsmuir despatched his communication calling for a convention to consider a general revision
of Union Terms. This was all that was left to be done to officially inaugurate a better terms movement. The ground had already been prepared—the same claim stated—in the preceding negotiations for railway subsidies. But to the first claim, as will be remembered, Mr. Dunsmuir summoned others. Chief among these is what he referred to as the "unique physical conditions of the Province". This we find reflected in the Prior memorandum as the "greater cost of administration owing to the physical character of the country" and its isolation, political and economic.

Thus Premier Prior was in no way stating new claims in his memorandum. He had, as a federal member, taken a leading part in fashioning the first point, and he does materially develop the commercial importance of the Province's isolation from Eastern Canada in his memorandum. In the last "special circumstance" which he mentions, that of "the disadvantage of the Province in relation to markets for special products", Col. Prior is most nearly original. Yet even this is not entirely new. It will be remembered that Senator Templeman, as a candidate against Col. Prior at the federal by-election in Victoria in 1896, had urged the large per capita contributions of the Province to the Federal Treasury—in reality, customs duties—as proof of the evil effects of the National Policy tariff. British Columbia, he
claimed, was being "bled white" by the tariff and the eastern monopolists which it protected. Premier Prior's claim that the Province was under a disadvantage because it had to "buy in the dearest market and sell in the cheapest" is not entirely unrelated to Senator Templeman's claims upon analysis. Thus, strangely enough, Col. Prior found himself embracing a doctrine which is essentially an expansion of the same one which was used against him and his party in 1896, and which at that time, naturally, he steadfastly denied.

Before dismissing the Prior correspondence, the final outspoken warning of the British Columbia Premier deserves attention, for it exhibits a far less conciliatory attitude than had characterized Mr. Dunsmuir's letters,--a chance indicative both of the government's growing uneasiness and the natures of the two Premiers. Col. Prior's concluding remarks were:

"It is worthy of note that in almost every matter we have brought to the attention of the Dominion Government, such as the fisheries, the Chinese head tax, the question of financial relations and our contributions to the Federal treasury, as compared with expenditures, the outcome of Confederation has been the same,--a disproportion of benefit to the Dominion, and a set of circumstances in British Columbia different to what pertains in the East."

"I want to say to you, Sir Wilfrid, and to your colleagues, as a duty we owe to the Province of British Columbia, that if we do not obtain a just recognition of those claims, founded on the representations we have made, nothing can stop the
"agitation for readjustment of relations that will grow out of them, and that sooner or later the people, who are fully alive to their disabilities and their requirement, will as a unit demand as a right what we pray for." (1)

Returning to the Provincial Capital, Premier Prior faced the fateful session of April-May, 1903, which witnessed the retirement of two of the ministers at the Premier's request and the resignation of a third; and culminated with his own dismissal from office by the Lieutenant-Governor. (2)

In summation, it must be admitted that the work of the delegates, however thoroughly and carefully presented, did not achieve any definite advance towards its revisionary objectives. Its greatest success was the enactment at Ottawa of an amendment to the Chinese Restriction Act, raising the head-tax to $500, of which the Province was to

(1) B.C. Sessional Papers, 1903, p. K 13. The years from 1896 to 1902 each produced deficits. (See Table No. 2, p. D 23, of Reports.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>1897-1898</td>
<td>$1,439,623.60</td>
<td>$2,001,031.85</td>
</tr>
<tr>
<td>1898-1899</td>
<td>1,531,638.60</td>
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<tr>
<td>1899-1900</td>
<td>1,544,108.66</td>
<td>1,831,205.66</td>
</tr>
<tr>
<td>1900-1901</td>
<td>1,605,920.57</td>
<td>2,287,821.21</td>
</tr>
<tr>
<td>1901-1902</td>
<td>1,807,925.24</td>
<td>2,537,373.71</td>
</tr>
</tbody>
</table>

(2) The E. G. Prior and Company, in which the Premier had a controlling interest, had obtained a contract from the Government to supply cable for the Chimney Creek Bridge. It was charged that an official of the company had obtained information regarding the figures submitted by other tenderers. After an investigation of the charges, the Lieutenant-Governor dismissed Col. Prior from office.
receive one-half the revenue derived from British Columbia ports of entry. (1) But the appeal for increased subsidies did not receive even this measure of encouragement. There was no guarantee forthcoming from the Government that the matter would be even considered at an early date.

The other provinces, however, received no better treatment in this respect. Mr. (later the Hon.) Rodolphe Lemieux made an eloquent plea on March 30th for the enactment of such measures of assistance as were suggested by the Quebec Conference, but received no reply. (2) On July 2nd he asked the definite question: "Is it the government's intention to grant the provinces such increase as may be just and equitable?" , and received the conventional reply from the Prime Minister: "This matter will receive the careful consideration of the government at the proper time." (3)

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(3) Ibid., Vol. III, p. 5764.
CHAPTER V.

The Early Efforts of the McBride Government.

On June 3, 1903, the new Premier, Richard McBride, made a formal announcement of the adoption of party lines in the British Columbia Legislature. This was far from being unexpected. Reference to the newspapers of the day will establish that the question of the adoption of the party system in provincial politics had been discussed, and in fact expected, for some considerable time. (1) It was currently rumoured that the Liberals were organizing with the object of entering the provincial field as a party, and before his dismissal Premier Prior let it be known that he intended appealing to the country, if he could secure a dissolution, on party lines. (2) Thus this new departure in British Columbia politics was practically assured even before Premier McBride's assumption of office. Its chief importance to the better terms movement was the danger that it would possibly carry those discussions into the realm of party politics. Up to this time, all negotiations had been conducted, on the surface at least, on a strictly non-

(1) See Colonist, June 22, 1902, p. 4.
(2) Ibid, May 29, 1903, p. 4.
partisan basis; this was now more desirable than ever if an amicable settlement were to be reached, for opposing parties were in power at the two capitals.

As Premier of British Columbia, McBride addressed his first letter to Sir Wilfrid Laurier on June 18, 1903. This, however, dealt entirely with the question of Japanese immigration. It was not until the end of the month that he took up the question of the Ottawa negotiations, writing: "There are several matters of importance which have formed the subject of negotiations between the Governments of British Columbia and the Dominion of Canada, and certain other matters that have since arisen, which the Government here has considered of such urgency as to justify another Delegation being appointed to proceed to Ottawa in connection therewith." The federal houses were still in session, but a conference was arranged. Premier McBride himself was unable to go; in his place Hon. Charles Wilson, President of the Council, and Hon. R. F. Green, Minister of Mines, left for the national capital on July 1st.

An interview was had with members of the federal cabinet on July 14th. Two days later the delegates stated

(1) McBride to Laurier, June 18, 1903; Premier's Letter Book 1900-1903.

(2) McBride to Laurier, June 30, 1903; ibid.
their arguments in written form, outlining in their memorandum the proceedings of the day before. (1) The arguments with respect to increased subsidies, Oriental immigration and Indian reserves were not new, and need not be repeated here.

With regard to the first, however, a new point was raised when the Prime Minister expressed a doubt of the competence of the Dominion or Province to vary the Terms of Union embodied in the British North America Act. (2) This was the first occasion on which the Province's delegates had been confronted with this problem. To it they gave their considered reply in their letter of the 16th. Here they said:

"It is submitted that the object of Parliament in embodying the Terms of Union in 'The British North America Act' was not for the purpose of making those terms unchangeable, save at the discretion of the Imperial Parliament, but for the purpose of guaranteeing the Treaty, as it then stood, by Imperial legislation.

The whole legislative field in the Dominion of Canada being, however, by the Imperial Act, apportioned between Federal and Provincial authorities, and the question involving simply the payment of money by either one to the other, it is submitted that the legislation in respect of such a matter, if passed by both, could not well be questioned. In our opinion, it could only be questioned by the King in Council disallowing the Act.

(1) Wilson to Laurier, July 16, 1903; B.C. Sessional Papers, 1903-04, p. G-15. Present at the meeting the day before, besides Sir Wilfrid Laurier, were the following members of his cabinet—W. S. Fielding, Raymond Prefontaine, S. A. Fisher and Wm. Templeman.

(2) Ibid., p. G-16.
"Not having the advantage of any discussion on the subject, we can only anticipate the possible argument in favour of the doubt. It would perhaps be that each Province was a party to the Treaty with all the other Provinces and that without the consent of all or that of the paramount authority, the Imperial Parliament, no change could be made in the Terms of Union in any of the Provinces; and further, that their rights were affected by what might be termed favoured legislation, and the means at the command of the Dominion for Federal purposes, in which they would share, would be reduced by any amount granted to the Province. If this should be the argument, as to the first branch, it would seem inaccurate as a matter of fact, and, as to the second, it might briefly be answered that the Dominion Parliament, in which each Province was represented by its proper quota of members had assented to the proposed readjustment."(1)

It is curious that the delegates did not in this connection make greater use of the precedents already set in the case of other provinces. Of these, only the Act of 1882, granting Manitoba an increased subsidy for ten years, is mentioned.(2) The delegates concluded stating that they had "been informed that in 1869 the then Law Officers of the Crown gave an opinion on this subject, and that this opinion was contained in a despatch from Lord Granville, dated 23rd August, 1869, to the Hon. the Secretary of State".(3)

Thorough search failed to produce a copy of this most desired despatch. (1) How fruitless was the search is proven by the following letter written on September 29th, over two months later:

"I have been unable here to confirm the date, 23rd August, 1869, as being the date of the despatch which is required, and I cannot for the moment call to mind where I discovered it—probably at Ottawa. ....... This opinion, as will be seen, upheld the view that the Parliament of Canada had been strictly within its powers in dealing with the matter without reference to the Imperial Government. A copy of the despatch conveying that opinion is what is wanted. Diligent search was made at Ottawa for it, but without success and as it is the only legal and constitutional pronouncement on a subject which has again come to the front, its importance is obvious." (2)

On July 18th, letters were addressed directly to the several members of the cabinet under whose administration other matters discussed in the interview, such as fisheries and Indian reserves, pertained. In each case these failed to produce more than a general promise to consider matters thoroughly. (3)

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(1) See Wilson and Green to Scott, July 18, 1903; B.C. Sessional Papers, 1903-04, p. G-22. Had they so chosen, however, the delegates could have referred to debates on the subject in the Commons, especially those connected with the granting of better terms to Nova Scotia. For example, see Dominion of Canada Parliamentary Debates; Third Session (1870); published by Ottawa Times Printing and Publishing Co.; Vol. I, pp. 768-792.

(2) Gosnell to Powell, Sept. 29, 1903; Premier's Letter Book (1900-1903).

(3) For copies of these letters and the replies see B.C. Sessional Papers, 1903-04, pp. G-20-G-22.
The delegates returned to their Province to face the arduous task of carrying an election in the first definite party vote in the history of its politics. The question of securing better terms for British Columbia was widely discussed during the campaign, but fortunately it did not assume an appearance of being a 'party' matter. Considerable credit is due Premier McBride and his associates at this time for steadfastly refusing to adopt 'Better Terms for British Columbia' as a party platform, more especially since many Conservatives fully realized the political value of such a step in view of the failure of the Liberal administration at Ottawa to recognize the Province's claims. Unquestionably, such action would have but impeded settlement, adding as it would have but another difficulty in the way of agreement between Ottawa and Victoria.

The McBride government, however, succeeded in carrying the election, by a narrow majority. When the House was summoned in November of the same year it was primarily in order to discuss the Province's finances, which were by now exceedingly hazardous, and to arrange for the floating of a new loan in London. (1) In the urgency of securing more immediate ways of financing the government, the question of better terms was given scant attention, the Speech from the

(1) See Colonist, November 27, 1903, p. 1.
Throne merely promising that negotiations would be "earnestly and persistently pressed to a settlement satisfactory to the province".\(^{(1)}\) And there, so far as the session itself is concerned, the matter was left.

That such a promise was intended to be fulfilled, however, is evident from Mr. McBride's letter of December 24th. His annoyance with the federal government's failure to act is clearly discernible behind the outward politeness of the letter. The Premier remarked that the Province's claims for increased recognition had been before the Dominion now for nearly three years, that it was practically a year since Col. Prior and Hon. D. M. Eberts presented their claims, and yet no indication, favourable or otherwise, had been forthcoming from the federal government. Three portions of this letter demand particular notice:

First: Mr. McBride, while arguing that the terms granted to his Province were based on assumptions which events had shown to be unjustifiable and altogether prejudicial to British Columbia, made the following proposal, which is in direct contradiction to the general idea of finality embodied in the Quebec Resolutions of 1902:\(^{(1)}\)

\(^{(1)}\) See Colonist, November 27, 1903, p. 8.

"To maintain inviolable in spirit the equity of a sacred compact, which is constitutionally involved in the free, voluntary union of self-governing, responsible colonies, with a federal body representing the whole group in certain governmental functions, it is essential that there should be from time to time, as shown to be necessary, an adjustment of financial relations conformable with new or altered conditions."(1)

This was the exact point on which Mr. McBride was later to clash with the federal authorities and the other provinces when a measure of reform was granted and stated to be "final and unalterable".

Second: While the excessive revenue contributed by British Columbia to the Dominion warranted greater expenditure on public works in the Province, the effect of greater assistance on the part of the federal government in railway development, as urged by the Dunsmuir Delegation, without increased subsidies to the government would only be to make matters worse, for "to the Province comes, with development, increased responsibilities in the way of roads, bridges, educational facilities, the administration of justice, etc., which in this Province—owing to physical configuration and long distances between settlements—involve expenditures quite out of proportion to the revenue reasonably to be

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anticipated and possible to be easily obtained."\(^{(1)}\)

Third: Any re-arrangement "is a Provincial question as between the Province and the Dominion; and its settlement should not be dependent upon the political character of existing administrations. Up to the present all the representations that have been made to you have been conceived and couched in that spirit. Either they are worthy of consideration and a definite reply or they are not. If no reply be forthcoming, they must perforce become the basis of an agitation, and will, in that event, undoubtedly enter the arena of partisan debate very soon."\(^{(2)}\)

It is a question, whether McBride meant this prophesy as a friendly warning or as a definite threat. The impending

\(^{(1)}\) McBride to Laurier, Dec. 24, 1903; B.C. Sessional Papers, 1903-04, pp. G-24-25. With respect to the Chinese head tax, B.C. received for the fiscal year 1902-03, fifty per cent. of the revenue arising out of the amended Act of 1902. Mr. McBride observed that "if the Province be properly entitled to a refund of fifty per cent. as a compensation for local evils and disadvantages arising out of Chinese immigration, it is entitled to the whole sum remaining over after the expenses of administering the Act have been met", and also, "if the Government be now entitled to fifty per cent. of the revenue arising out of the Act for the reasons in question, it is also entitled to have that or any other percentage fixed upon for the whole period during which the Act has been in operation".

See ibid, p. G-25.

\(^{(2)}\) Ibid., p. G-23.
federal elections, which actually occurred in October of that
year, and McBride's own activities in that campaign, cer-
tainly lend colour to the latter interpretation. This too, was the meaning which the Prime Minister took from the
warning; an idea which the provincial Premier nevertheless
hastened to deny.(1)

Historically, however, the most significant feature
of this exchange of letters was the wide gap which they
showed to separate the approach of these two statesmen to
the question of constitutional revision. To McBride there
would ever be a need for periodic reform of the constitution;
to Laurier, "if the subject should be taken up, it should be
so taken up with the view of laying down a uniform, systema-
tic and final basis".(2)

Thus, should a general revision be granted, involving
the whole confederacy, and since the inter-provincial con-
ference of 1902, any change, even a special grant to British
Columbia, could be expected to come from such a reform
measure, Ottawa and Victoria would almost certainly approach
a settlement from opposite viewpoints. Unquestionably
McBride had raised a new issue. Hereafter, not alone would

(1) McBride to Laurier, Dec. 24, 1903; B.C. Sessional Papers
1903-04, p. G-23. Also see McBride to Laurier, Jan.

(2) Laurier to McBride, Jan. 4, 1904; ibid, p. G-27.
he have to convince the Dominion and the other provinces of British Columbia's claim to special consideration in the matter of federal subsidies, but he had set for himself the additional task of converting the federal government to his theory of periodic revision. And in this too, there was no doubt in view of the Conferences of 1887 and 1902, the other provinces of the Union would also need to be convinced.

The Laurier letter, however, gave no assurance of early settlement of the question. Consideration of the Quebec Conference's proposals, the Prime Minister announced, had been impossible due to the urgency of business at Ottawa and the prolonged session.

The British Columbia session, concluding on February 10, 1904, also passed without any new developments in the sphere of better terms proposals. Returns of the Wilson-Green Mission which had visited Ottawa without success in July of the preceding year, were published, but otherwise a general quiet pervaded. Ottawa had given no indication of its intentions and for the moment matters marked time.

1904 was to prove, however, the truth of Premier McBride's prophecy that the question of better terms might easily become a party issue; and in no small measure the Premier was himself responsible for the partisan angle which it assumed during the general Dominion elections of
October of that year. Obviously, the failure of the federal government to recognize British Columbia's claims opened an easy avenue of attack upon the Laurier cabinet; and of this the provincial Conservatives proceeded to take full advantage. Unquestionably too, the Conservatives were in dire need for good platform material for that election. The Vancouver Province, as events proved, surveyed the situation with considerable accuracy, when it said:

"Regarding the probable result (of the election), freed from party passion and prejudice, we conclude that the Government of Sir Wilfrid Laurier will be sustained by a substantial working majority. The population of Canada is thriving and contented. The years have been years of success, and they have been under Liberal rule.

"Then the leading issue of the campaign is the question of enlarging the transportation facilities of the country, and on this issue the electorate seems to be practically united. It is hardly denied, except by extreme politicians, that there is considerable objection to the terms of the contract with the Grand Trunk Pacific; but if the people want the road built, and it is evident they do, the matter of terms will not be regarded as sufficiently objectionable to induce the electors to defeat the Government." (1)

Under these circumstances, it is not surprising that the Conservatives made every use of such an available

(1) Vancouver Daily Province, Oct. 27, 1904, p. 6. The "Province" first appeared in Victoria as a weekly paper on March 3, 1894. It became the Vancouver Daily Province, its publication being transferred to that city on March 26, 1898. The newspaper is independent in politics.
argument against the Ottawa government as its failure to
grant British Columbia better terms. McBride's speech at
Duncans on October 14th is a typical example of the Conserva-
tive's attempt to convince the electorate that the Laurier
administration was neglecting the interests of the Province.
Here he declared: "Since 1871 we have paid into the
Dominion treasury $15,000,000 more than we have taken out.
Was it intended that we should pay this enormous fine for the
privilege of entering confederation?" To the Province's
claims the Dominion government had turned a "deaf ear"; the
Dunsmuir, Prior, Wilson-Green delegations had alike been
given "scant consideration". "Are you," he asked, "willing
to support men who sustain a government that neglects the
interests of your province?" Mr. McBride was followed on
this occasion by Sir Charles Hibbert Tupper, at that time
President of the British Columbia Liberal-Conservative
Association, who declared that there was "no other province
where there exist such serious grievances and such strong
reasons for opposition to the government of the day". (1)

These or similar extracts might be taken from almost
any of the Conservative campaign meetings of October, 1904.
Prior to the election, Mr. George H. Cowan of Vancouver had

prepared a brochure on British Columbia's claim for increased consideration. This was submitted to Hon. R. L. Borden, the federal Conservative leader, who on October 10, 1904, sent the following reply to Sir Charles Hibbert Tupper:

"Let me also say that I have given much thought to the conditions in British Columbia which, in your opinion, call for special attention in considering the financial relations between the Dominion and that Province. You claim not only that these conditions are exceptional and peculiar to the situation and physical character of your Province, but also that they are permanent in their nature. In my opinion they are such as to demand immediate inquiry and investigation, to the end that any injustice clearly established may be immediately relieved."(1)

The Liberals' reply to all this was simply that the Laurier government could hardly be held responsible for the terms granted British Columbia in 1871,—by a Conservative government; that the question of revising the original terms was not a party matter; and, most important of all, the present issue was one of continued expansion and development of the country under Liberal leadership.(2) The answer was

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apparently sufficient to satisfy the electorate, for the
government party elected a solid phalanx of Laurier
supporters in British Columbia, and emerged triumphant from
the polls throughout Canada.

Thus the attempt to make a party issue of British
Columbia's treatment failed miserably. In reality, the
Cowan brochure emerges as the most interesting and altogether
the most instructive product of the campaign in that regard.
That document is, in fact, such as to deserve serious con­
sideration as one of the ablest expositions of British
Columbia's case for increased subsidies. Mr. Cowan did not
develop any essentially new arguments with possibly one
exception; but he did lend strength to the Province's
claims with an imposing array of tables and figures, pre­
pared, it is worthy of note, by the Dominion statistician,
Mr. George Johnson.

Mr. Cowan opens with an explanation that British
Columbia's habitable area is about one-fortieth of its
entire surface, or about 6,000,000 out of a total of
238,483,007 acres, and lies more or less evenly distributed
over the whole Province, along narrow but widely separated
valleys and gulches, immured by 360,000 square miles of
snow-capped mountains. This is a condition for which no
analogue in Canada can be found, and, he emphasizes, it is
a permanent one. (1)

The effect of these unusual conditions upon the cost of government in the Province Mr. Cowan illustrates by a series of tables, showing the cost of road construction per person and per mile, (2) and the per capita cost of civil government, administration of justice, social services, education, etc., in British Columbia as compared with the other provinces. The total effect of this is summarized in the following table, showing the average expenditure per head for five years, 1898 to 1902:

<table>
<thead>
<tr>
<th>Province</th>
<th>Roads, etc.</th>
<th>Civil Gov't.</th>
<th>Justice</th>
<th>Hospital, etc.</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>British Columbia</td>
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<td>.04</td>
<td>.03</td>
<td>.13</td>
<td>.42</td>
</tr>
</tbody>
</table>

Average ...................... 80


(2) Tables comparing the cost of road construction per person and per mile will be seen at pp. 6-10. The following extract from these pages gives some idea of how comparisons were arrived at: "An examination, then, of Return No. 24, printed in the sessional papers of Ontario for 1885, Vol. 17, Part V, reveals the fact that during 18 years, from 1867 to 1885, Ontario built 2,335 3/4 miles of new roads in Algoma, Muskoka, and other northern parts of the province at a total cost to the province and the municipalities of $684,946.74, or an average cost of $294 per mile, as against an average in Br. Col. of $2,000 per mile." (See ibid., p. 9.)
"By this table," he proceeds, "it appears that the ratio of British Columbia's per capita expenditure under these four heads of service to that of New Brunswick, the next province in order of amount, is 518:78 or nearly 7:1, and to that of Manitoba, the next province in order of age, it is 9:1; while the ratio of New Brunswick to Nova Scotia, the lowest of the provinces, is 78:42, or about 1 4/5:1. It further appears that to place British Columbia on an even keel with New Brunswick, the province next highest in expenditure, she should have had each year an allowance of $4.40 per head of an average population of 171,480, equivalent to a yearly sum of $745,512." (1)

For the same years, the total expenditure for all services in all provinces, showed the following comparison:

<table>
<thead>
<tr>
<th>Province</th>
<th>Average Population for 5 yrs</th>
<th>Total Spent for 5 yrs</th>
<th>Average per head per yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td>171,489</td>
<td>$10,813,905</td>
<td>$12.61</td>
</tr>
<tr>
<td>Manitoba</td>
<td>245,469</td>
<td>5,132,134</td>
<td>4.18</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>103,687</td>
<td>1,526,494</td>
<td>2.94</td>
</tr>
<tr>
<td>Quebec</td>
<td>1,636,454</td>
<td>22,057,010</td>
<td>2.69</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>330,377</td>
<td>4,027,154</td>
<td>2.44</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>458,882</td>
<td>4,815,300</td>
<td>2.10</td>
</tr>
<tr>
<td>Ontario</td>
<td>2,177,751</td>
<td>19,969,942</td>
<td>1.37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,451,138</strong></td>
<td><strong>$68,341,939</strong></td>
<td><strong>$3.07</strong></td>
</tr>
</tbody>
</table>

(2) Ibid., p. 13.
A similar table, covering a period of thirty years, attested to the permanency of British Columbia's disability as follows:

<table>
<thead>
<tr>
<th>Province</th>
<th>Average population for 30 yrs.</th>
<th>Total Spent for 30 yrs.</th>
<th>Average per head per yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td>90,634</td>
<td>$32,243,068</td>
<td>$11.86</td>
</tr>
<tr>
<td>Manitoba</td>
<td>123,801</td>
<td>16,025,974</td>
<td>4.31</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>104,062</td>
<td>9,179,906</td>
<td>2.94</td>
</tr>
<tr>
<td>Quebec</td>
<td>1,421,994</td>
<td>104,027,881</td>
<td>2.44</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>314,802</td>
<td>20,331,060</td>
<td>2.16</td>
</tr>
<tr>
<td>Ontario</td>
<td>1,961,260</td>
<td>105,798,513</td>
<td>1.79</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>434,585</td>
<td>21,525,863</td>
<td>1.65</td>
</tr>
<tr>
<td>Total</td>
<td>4,451,138</td>
<td>$309,182,264</td>
<td>$2.32</td>
</tr>
</tbody>
</table>

British Columbia, as had so often before been claimed, contributed to the federal treasury, Mr. Cowan declared, at the ratio of 3 to 1, compared with the other provinces. By comparing this condition with the total debts assumed by the Dominion at or since Confederation, Mr. Cowan arrived at the conclusion that "British Columbia pays for local services 4:1 of the other provinces, and, we shall see, contributes to the Dominion treasury 3:1 of the other provinces; but when we come to the provincial debts assumed by the Dominion, we find the inverse ratio of 1:2 of the other provinces."

This statement he substantiated by the following table showing all provincial debts assumed by the Dominion:

At Confederation:

Canada (Province).................. $62,500,000
Nova Scotia.......................... 8,000,000
New Brunswick....................... 7,000,000

Subsequently assumed or allowed:
Nova Scotia (1869).................. $1,186,756
Province of Canada (1873)........... 10,506,089
Ontario.............................. 2,848,289
Quebec............................... 2,549,214
Nova Scotia.......................... 2,343,059
New Brunswick....................... 1,807,720
Manitoba............................. 3,775,600
British Columbia.................... 2,029,392
Prince Edward Island............... 4,884,023

Total Provincial Debts assumed.... $109,430,148

Taking the population from the Dominion census of 1901, the provincial debts assumed by the Dominion for British Columbia and the other provinces are:

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Population</th>
<th>Debts Assumed</th>
<th>Amount per head</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td>178,657</td>
<td>$2,029,392</td>
<td>$11.35</td>
</tr>
<tr>
<td>The Other Provinces</td>
<td>4,881,009</td>
<td>107,400,756</td>
<td>22.50</td>
</tr>
</tbody>
</table>

Proceeding, Mr. Cowan analyzed in detail trade conditions in the Dominion, using figures supplied by the Dominion statistician. These established the ratio of 3:1 before referred to. In conclusion, British Columbia's share in the inter-provincial trade of the Dominion was considered, leading the author to the following conclusions:

"But what is British Columbia's share in all this inter-provincial trade, for which she is paying, as we have seen, a threefold price? Under a compelling tariff her imports from the eastern provinces are considerable. But imports will not make a market for her products or make a trade......What, then, of British Columbia's exports to the other provinces? These consist chiefly of lumber, shingles, fish and fruit to the Territories and the Eastern Provinces and goods to the Yukon. From a comparison of the figures to be found in the reports of the various Boards of Trade, and after allowances of every kind in its favor, this trade does not exceed $3,000,000.

"Thus, British Columbia being 3 per cent. of the whole population pays 9 per cent. of the price of Confederation and gets in return 1 per cent. of its trade benefits.

"Or, taking all the figures from the statistics for last year, we find that all the provinces contributed to the Dominion the sum of $36,197,340, of which British Columbia contributed $2,945,331, or upwards of 8 per cent., and that all the provinces enjoyed the profits on an inter-provincial turn-over of $315,000,000, the profits on $3,000,000 of this only, or less than 1 per cent. going to British Columbia."(2)

(1) Cowan, George H., "British Columbia's Claim", 1904, Table p. 21.
(2) Ibid., p. 22.
Mr. Cowan's arguments are impressive in their detailed and thorough analysis, especially since he has used figures compiled by the Dominion statistician and not those of any provincial investigator. Nowhere, up to this time, will there be found so thorough a treatment of the financial aspects of this subject. The work is further commendable for having introduced a new argument for British Columbia's case, by comparing the provincial debts assumed by the Dominion at and after Confederation, a point, which though occasionally hinted at, had not been developed up to this time, and one which in later negotiations was to be given a place of considerable importance. (1) Further it marks a definite advance over anything heretofore achieved in the consideration of British Columbia's trade position. All in all, it was no inconsiderable achievement, and its value as a study still remains unimpaired. Yet it is unfortunate that so excellent a work was put to use for purely party purposes, the more so in that it was identified with the losing party. The post-election political psychology of the victorious Liberals was naturally to regard it as opposition election propaganda, and a document therefore to be considered of little consequence; thus this otherwise

valuable asset to the literature of British Columbia's better terms campaign did not receive the attention which it might otherwise have and which it unquestionably deserved.

Likewise, as a result of their activity in the election and its outcome, the Conservative government at Victoria was left in a difficult position. In spite of their acknowledged belief in the provincial rather than party character of the question, the members of the McBride government had attempted to make political capital of the Laurier government's failure to grant the better terms desired. With the defeat of their party in the federal elections in British Columbia they had to retrieve their former non-party position on the question as best they could. This involved denying the very basis of their recent election activities to some extent for to accept the election result as the verdict of the Province on the question of better terms was tantamount to admitting that the people themselves did not want a revised scale of federal subsidies. Thus, in asking for a resolution endorsing the Provincial cabinet's action in reopening the negotiations with Ottawa on that question in 1905, we find Premier McBride explaining to the local house:

"It could not be argued from the result of the recent general election that the importance of this subject was not appreciated by the people of the country, as there were a confusion of
"political issues which prevented an expression of opinion in that way." (1)

Returned to power on a tide of expansionist enthusiasm, the Laurier government was, as we shall soon see, once again faced with a revival of the Pacific Province's demands, largely as a result of the natural outcome of that spirit. In the Speech from the Throne on January 12, 1905, with which Laurier met his Commons fresh from a triumphant endorsement at the polls, the following paragraph was contained:

"The rapid growth in the population of the North-west Territories during the past two years justifies the wisdom of conferring on these territories provincial autonomy. A bill for that purpose will be submitted for your consideration." (2)

This was the signal for a revival of activity among the advocates of better terms for the provinces. Obviously parliamentary consideration of terms and subsidies for these new members of Confederation would afford an excellent opportunity for the discussion of a general revision of the agreements with the other provinces. An instance of this renewed interest in provincial subsidies, is the speech of F. B. Carwell of Carleton, New Brunswick, on March 6th, in which he advocated a rearrangement of grants and asked for


a return of all correspondence in connection with the provinces' demands. This drew from the Prime Minister an able summary of those demands, and one which indicated a warmer feeling for the movement than Sir Wilfrid had heretofore exhibited. In part, the Prime Minister's remarks on this occasion are hereafter quoted:

"The correspondence on the subject is now pretty voluminous. It commenced, if I remember rightly, in the year 1887. .......

"Two years ago another conference of the premiers of all the provinces met in the city of Ottawa. New resolutions were passed, much upon the same basis as those which had been adopted at the Quebec conference in 1887. Apart from these, the province of British Columbia, though it joined with the other provinces in a demand for a re-adjustment of the subsidies, put in a separate demand of its own, claiming that it was entitled to special treatment on account of special circumstances affecting that province and not the others. The matter has rested there, and it is not free from difficulties. I have had occasion more than once to express the view that I thought the principle adopted at the time of confederation of giving subsidies to the provinces, was not as wise as it might have been. But at all events, we find this principle in the Confederation Act to-day, and even if we do not agree with it, we must accept it and abide by it. .......

"While I agree mostly with the views expressed in all the provinces that the present system is too drastic, that it should be given more elasticity, still at the present moment I would not commit myself beyond saying that I view the matter with a considerable degree of interest. If it is to be approached and dealt with at all, I see no other method than to have the question discussed fully between representatives of the Dominion and the
"various provinces in a conference to be called for that purpose."(1)

In British Columbia, Premier McBride wasted no time in utilizing this revived interest to renew his request for increased federal assistance. On January 24th—only twelve days after the Throne Speech was read at Ottawa—he telegraphed the Prime Minister that a memorial setting forth the Province's case was being prepared and would be forwarded in a few days. (2) On February 1st the memorial was despatched. (3) In a letter of the same date Mr. McBride

(1) Canadian Hansard, Vol. II, pp. 2103, 2104, 2105. With respect to the fisheries, the Prime Minister had the following to say: "The question of the fisheries which, up to 1889 or thereabouts, was in a rather satisfactory condition, has been much disturbed by a judgment of the Judicial Committee of the Privy Council.... I think the public interest would be served if the fisheries were vested altogether in one body or the other, but there should be no divided authority; and I believe that the fisheries had better be vested in the Dominion than in the provinces." (See ibid., pp. 2104-2105.)

In June 1904, a fishery delegation consisting of Hon. F. J. Fulton (Provincial Secretary in the McBride Cabinet) and J. B. Babcock (B.C. Fishery Commissioner), visited Ottawa, but achieved no definite settlement. (See B.C. Sessional Papers, 1905, pp. F 39-F 48.)


(3) For the full text of the Memorandum see B.C. Sessional Papers 1905, pp. D 1-D 19. Copies of the Memorandum were also despatched to the other members of the federal cabinet. (See McBride to Sir F. W. Borden, Feb. 9, 1905; Premier Letter Book (1904-1906).
remarked that it was intended to "include the whole case of the Province as it appears to the present Government", and renewed his request for a commission to investigate his demands. Anticipating the possibility of a general uniform revision, the British Columbia Premier said:

"I beg to point out that no uniform arrangement for readjustment based on population will be satisfactory to British Columbia nor indeed would it be just. It must be evident that any such re-arrangement, while it would increase the subsidies to British Columbia would leave the Province relatively no better off. In a sense it would leave British Columbia worse off than before, because she must contribute, as she does at present, excessively to the increased subsidies given to all the Provinces. In other words a uniform readjustment, without reference to the special circumstances which affect our case, would leave a net result to our disadvantage. It would neither alter nor compensate for the disparity in contributions to the Federal Treasury or the cost of local administration as compared with the rest of Canada."(1)

Meanwhile at Victoria the Provincial Legislature was unanimously adopting the following resolution amidst much enthusiasm, but not without Hon. J. A. Macdonald, the Opposition Leader, chiding the Premier upon his actions during the federal campaign:

"In the opinion of this House, the province is entitled to such distinct and separate relief from the Dominion of Canada based upon an equitable consideration of conditions in the province, and large contributions made by the province to the Dominion by way of customs duties and otherwise, and the exceptionally high cost of government in

"the province and of the development of our natural resources."(1)

The new provinces were created and admitted into Confederation as Alberta and Saskatchewan, but Ottawa did not use this occasion to open a discussion of the demands of the older provinces for a revision of the federal subsidies. (2)

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(1) Colonist, Feb. 25, 1905, p. 8. It is interesting to note that the year 1905 marks the beginning of the days of substantial provincial surpluses, e.g. see B.C. Sessional Papers, 1908, (Public Accounts) p. B 23, Table No. 3. The following table gives revenues and expenditures for years 1904 to 1907:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Revenue</th>
<th>Net Expenditure</th>
<th>Deficit</th>
<th>Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1904</td>
<td>$2,638,260</td>
<td>$2,862,794</td>
<td>$224,534</td>
<td></td>
</tr>
<tr>
<td>1905</td>
<td>2,920,461</td>
<td>2,302,417</td>
<td></td>
<td>618,044</td>
</tr>
<tr>
<td>1906</td>
<td>3,044,442</td>
<td>2,328,126</td>
<td></td>
<td>716,316</td>
</tr>
<tr>
<td>1907</td>
<td>4,444,593</td>
<td>2,849,479</td>
<td></td>
<td>1,595,114</td>
</tr>
</tbody>
</table>

(2) See: Statutes of Canada, 1905, Ch. 3, p. 77. "An Act to establish and provide for the Government of Alberta". Also see Ch. 42, p. 201, "An Act to establish and provide for the Government of Saskatchewan". By the terms of these acts, each province was given the following yearly grants; (a) a subsidy of $50,000; (b) 80 $ per head on an estimated population of 250,000, to be increased according to a census taken every five years, until the population reached 800,000; (c) since the provinces had no debt, they were each to receive 5 per cent. on $8,107,500 (or $405,375 yearly); (d) in lieu of lands retained by the Dominion, valued at $37,500,000 in each case, 1 per cent. of the value (or $375,000) until the population reached 400,000; from then until the population reached 800,000, 1 1/2 per cent. (or $562,500); from that time until the population reached 1,200,000, 2 per cent. (or $750,000); and thereafter, at the rate of 3 per cent. (or $1,125,000); (e) for five years each province was to receive 1/4 per cent. or $93,750 of that amount to aid in the construction of public buildings.

These subsidies offer an interesting comparison to those granted to British Columbia upon its entrance
As a result Hon. Lomer Gouin took up the question of renewing these demands. During September he despatched letters to the various provincial premiers seeking their cooperation. Mr. McBride in his reply stated that he was glad to cooperate with the other provinces in this move, but rather than sign the joint letter which had been prepared by the Quebec Premier, he would concur by writing direct to Sir Wilfrid Laurier, a course made advisable by reason of the Province's demand for special consideration.

This renewed activity was in time destined to bear

Footnote (2) continued from p. 147:

into Confederation (see Chapter I). For an interesting discussion of the fiscal terms provided for the new provinces, in which the older provinces' treatment and the successive "final" settlements are discussed, see Canadian Hansard, 1905, Vol. III, pp. 5434-5471.


(2) See McBride to Gouin and McBride to Laurier, Oct. 4, 1905; Premier's Letter Book (1904-1906). The latter letter together with the joint letter sent by the other premiers will be found in Federal Sessional Papers, 1906, Vol. XL, No. 14, p. 96-5. A copy of the B.C. Memorandum was also forwarded to the Quebec Premier for his consideration. Also see McBride to Gouin, Oct. 11, 1905; Premier's Letter Book (1904-1906), in which McBride explains his delay in answering.
fruit,—but not until a year had elapsed. On November 15, 1905, Sir Wilfrid Laurier addressed the following letter to each provincial premier:

"Dear Sir:

"I have had for some time the memorial which was placed in my hands, suggesting that new financial arrangements be made between Canada and the provinces, on the basis of certain resolutions passed by the provincial governments in 1902, and praying that I fix as early a date as possible at which the different provincial governments could meet the federal government, to confer on this important subject.

"I am sorry to say I have not yet had an opportunity of presenting this memorial to a full cabinet council. I cannot hope for such an opportunity during the sitting of the Tariff Commission, but as soon as the Tariff Commission has concluded its labours, I will at once bring your request to the attention of the Cabinet.

"Wilfrid Laurier." (1)

On March 14, 1906, in the House of Commons, the Prime Minister definitely announced his intention of calling such a conference as had been requested "during the recess between this session and the next". (2) It was not until September 10th, however, that the invitation to the Provincial Premiers to meet with the Dominion government went forth, and this Premier McBride promptly accepted on behalf

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of British Columbia. (1)

Thus, at last, a sympathetic hearing of the Quebec Conference's recommendations was assured, and a subsequent constitutional revision seemed within possible reach. But to British Columbia the achievement of a successful denouement to its campaign for special consideration was far less imminent; for Premier McBride was still faced with the herculean problem of convincing the other provinces and the Dominion of the justness of his claims for special treatment, and in addition he had set for himself the task of converting the Ottawa delegates to his plan of making no final and permanent settlement, but rather "that there should be from time to time, as shown to be necessary, an adjustment of financial relations conformable with new or altered conditions." (2)


(2) See McBride to Laurier, Dec. 24, 1903; quoted herein at p. 128.
CHAPTER VI

The Inter-Provincial Conference, 1906.

On Monday, October 8, 1906, in the Railway Committee Room of the Senate, Sir Wilfrid Laurier met representatives of the provinces of the Canadian union, who had assembled there in response to the Prime Minister's invitation. (1) With Sir Wilfrid Laurier were the Hon. W. S. Fielding, his Finance Minister, Hon. A. B. Aylsworth, Minister of Justice in the federal cabinet, and Postmaster General the Hon. Rodolphe Lemieux. Each province had sent its premier, supported in every case, with the single exception of British Columbia, by one or more members of the provincial cabinets. It was therefore an imposing body, one well befitting the importance of the task in hand. From the provincial point of view there was, excepting British Columbia, a practical unanimity of feeling, for which the conference of 1902 had provided a working basis. Two difficulties in particular presented themselves: first, the problem of convincing the federal government; and, second, that of appeasing British Columbia in its demand for special consideration, the decidedly more difficult of the two, as we shall see.

(1) The Nova Scotia delegates did not arrive until the following day.
After a week of negotiations, the distinct success of the delegates in the former task was matched by their failure in the latter.

The first act of the Conference after it had assembled was the election of Hon. Lomer Gouin, Premier of Quebec, as chairman. The Prime Minister thereupon extended a welcome to the delegates, stating that his government would be ready to discuss whatever proposals the provinces agreed in submitting after a conference among themselves. To this end, the delegates met that afternoon, and chose a committee, of which the British Columbia premier was a member, to prepare a resolution embodying the views of the Conference on the subject matter of the Quebec Conference's resolutions of 1902. (1)

This committee's report was presented the following day and occasioned a debate of considerable duration, extending on into the afternoon. The final result was the unanimous adoption of the Quebec resolutions, except for alterations necessary to include Alberta and Saskatchewan; but it was expressly reserved that any province could

(1) Members of this committee were: Messrs. Foy (Ont.); Murray (N.S.); Pugsley (N.B.); McBride (B.C.); Campbell (Man.); Weir (Que.). See B.C. Sessional Papers, 1907, p. D 5. Minutes of Meeting, Oct. 8, 1906.
submit memoranda to the federal government in writing concerning any claims it may have to larger sums than allowed under those resolutions. This, of course, was a qualified success for British Columbia, for while not admitting the Pacific Province's claims to special treatment, the way was nevertheless definitely opened for a full discussion of its case.

It was decided that the Hon. Lomer Gouin, and Hon. J. P. Whitney, Premier of Ontario, should be a committee to submit the wishes of the Conference to the federal government at the joint meeting to be held the following day. On Wednesday, the provincial delegates met an hour earlier than the scheduled joint conference with the Dominion representatives, and gave approval to the extracts of their previous meeting's procedure which were to be presented to Sir Wilfrid Laurier. These were as follows:

"Whereas the members of this Conference are of opinion that it is desirable in the interest of the people of Canada and essential to the development of the Provinces that an immediate provision be made for an increase of the subsidies granted by the Dominion to the several Provinces and for the award to the Provincial Governments by Canada of an amount sufficient to meet the costs of the administration of criminal justice, not exceeding twenty cents per head of the population;

"Therefore it is unanimously-

"Resolved,--That the subject matter of the Resolutions adopted by the Conference of Representatives of the several Provinces held at Quebec in
"December, 1902, and which were shortly thereafter presented to the Government of the Dominion and which were ratified by the Legislatures of the then existing Provinces except that of British Columbia, be now pressed upon the Government of the Dominion for immediate and favourable action, under reserve of the right of any Province to now submit to such Government memoranda in writing concerning any claims it may have to larger sums than those set out in the said Resolutions, or to additional consideration or recognition."

"Resolved 2,—That in case the Government of Canada concurring in the views of the Conference as expressed in the above resolution, a measure should be submitted to the Parliament of Canada at the next session providing for payment of such increased subsidies and allowances as may be determined upon, pending an amendment of the British North America Act, if such amendment should be deemed necessary."(1)

At eleven o'clock the joint conferences began. Immediately following the presentation of the provinces' resolutions, Hon. J. P. Whitney presented a special memorandum on behalf of Ontario. The burden of this was a suggestion that a permanent scheme of allotting provincial subsidies should be adopted based on the actual customs and excise revenues of the Dominion and one therefore which would allow for change and elasticity. It was a rule, the memorandum urged, that the greater the population the

(1) B.C. Sessional Papers, 1907, p. 87; Minutes of Meeting, Oct. 10, 1906. Other resolutions presented provided for the necessary amendments to the Quebec Resolutions to provide for Alberta and Saskatchewan, and the appointment of Hon. Mr. Gouin and Premier Whitney as a committee.
larger would be the revenue of the Dominion, and by inverse relation, the larger would be the expenses of provincial governments. Any fixed scale would fail to meet this situation. By using such a division as provided for by Sections 87 and 96 of the Australian Constitution, whereby one quarter of the customs and excise revenues were retained by the federal government, and the remaining three-quarters passed on to the state governments, a scheme elastic enough to meet the increasing costs of provincial administration with the growth of population could be devised. (1) To adjust the provincial subsidies under such an arrangement on a basis of population would "be impossible,

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(1) Sections 87 and 96 of Australian Constitution, referred to, are as follows:

"During a period of ten years from the establishment of the Commonwealth and thereafter until Parliament otherwise provides, of the net revenue of the Commonwealth from duties of customs and excise not more than one-fourth shall be applied annually by the Commonwealth towards its own expenditure.

"The balance shall, in accordance with this constitution, be paid to the several States, or applied towards the payment of interest on the debts of the several States taken over by the Commonwealth.

"Parliament may grant financial assistance to any state on such terms and conditions as the Parliament thinks fit."

See text of Ontario brief; B.C. Sessional Papers, 1907, p. D 18."
having regard to the position of some of the smaller Provinces”, still the large contribution of Ontario in the form of duties should receive due consideration. Finally the Ontario delegation concluded:

“We urge that in the future no special grant, at any rate, should be made to any one province. We repeat that, in our opinion, an agreement which will render impossible periodical applications for a rearrangement of the subsidies, is feasible and should be determined upon. It is possible that such an arrangement might be fixed and positive, and at the same time elastic, working automatically, so to speak, as the Dominion census from time to time would determine.”

Here is a practical suggestion quite at variance to the basis on which the provinces had agreed at Quebec in 1902. Federal income is to be made the basis of contribution in direct opposition to the Quebec resolutions’ fixed rates per head of population. While unhesitatingly opposing the McBride proposal for periodic revision, the Ontario


(2) Ibid., p. D 19. Ontario’s attitude is plainly demonstrated by the following sentence of the brief: “We are strongly in favour of some definite and permanent arrangement regarding the subsidy question; one which will render unnecessary, and indeed impossible, periodical applications for rearrangement of the subsidies.”

See p. D 17.
suggestion is to provide an entirely new scheme that would
endeavour to allow for change and therefore render periodic
alterations of the constitution unnecessary. The Ontario
delegates did not call for a hard and fast population basis
for the division of this general subsidy among the pro-
vinces. Though that should be the rule in the main,
because, they urged, expense of government is in most cases
proportionate to population, nevertheless the memorandum
recognizes that such an arrangement would not be entirely
fair to the smaller provinces. The Ontario suggestion would
not ignore the fact that the newer provinces with small
populations and large areas would require more considerate
treatment in this respect than the more developed provinces
of the east; similarly, British Columbia too might establish
a right to special treatment because of its mountainous sur-
face.

The Ontario plan of determining provincial subsidies
by an agreed percentage division of federal revenues, is a
novel one to Canadian politics, and deserves as such both
commendation and sympathetic consideration. Beyond the
proposal to make federal revenue the basis of provincial
grants, the Ontario delegates have very little to add.
They do not seem at all clear as to how that sum is to be
apportioned between the provinces, except that Ontario
because it contributes so largely to federal customs and excise duties should receive a commensurate share; just how that most important problem was to be settled was perhaps intended to be a matter for future discussion. If it was, the delegates from Ontario were fated to disappointment, for the federal authorities showed no disposition to seriously consider their suggestion.

As it stands, however, the plan presents some formidable dangers. Two weaknesses in particular present themselves. First: Even allowing the maximum elasticity, no scheme can be relied upon to meet all the unforeseen alterations of circumstance and condition of the future. To make revision impossible would be to blindly ignore the rights of future generations. The Ontario memorandum is condemned in this respect by its own arguments, for when speaking of the right of succeeding governments to alter the original Confederation terms it declares:

"It would have been indeed strange had they attempted to legislate for posterity and, on behalf of the four Provinces then about to unite, assumed to bind for all time the nine Provinces now interested and the greater number undoubtedly to be interested in the future."(1)

Second: The plan as outlined contemplates the subsidizing of provincial governments by means of revenues

(1) B.C. Sessional Papers, 1907, p. D 17.
derived from customs and excise duties. Under such an arrangement the tendency would undoubtedly more than ever be to levy customs duties with the object of producing cash surpluses for such distribution. But such duties do not bear evenly on all the provinces. British Columbia in particular pays more than her share of import duties in proportion to her population. Unless in the distribution some allowance was made in order to compensate those provinces which pay an inordinate proportion of such taxation, the effect would be to noticeably increase an evil which already exists to the detriment of some sections of the country.

In presenting this plan, the Ontario government was in a rather strange position. Their predecessors in office had subscribed to the Quebec Resolutions in 1902 and that action had been ratified by the Ontario legislature. In view of this Mr. Whitney had endorsed those resolutions also when presented to the Ottawa Conference the previous day; but he had a suggestion to offer, and, taking advantage of the resolution allowing for the presentation of special cases, this new plan, with which they are plainly more in sympathy, is presented. As matters stood, it appears as a suggestion—a rival suggestion—which is merely left with the federal authorities for consideration.

Hon. Richard McBride followed Premier Whitney and presented
British Columbia's case for special treatment. It was a re- 
statement of the case as laid down in the memorandum of 
February, 1906, but in shorter form. On Thursday morning 
the federal and provincial representatives met again in 
joint conference for the purpose of considering McBride's 
arguments. Little seems to have been accomplished, and the 
meeting was adjourned to the following day,—the day on 
which the Conference was to reach its most dramatic moment. 

At ten o'clock Friday morning, an hour before the 
time set for the joint conference, the provincial delegates 
met with the object of considering British Columbia's 
demands. Their labours in that connection lasted throughout 
the day, except for the hour's meeting with the federal 
representatives. At that joint conference, Sir Wilfrid 
Laurier informed the delegates of the federal government's 
attitude towards the Pacific Province's memorandum. The 
Prime Minister's remarks, as recorded in the minutes of the 
meeting, are here repeated:

"I have given careful consideration to the Mem- 
orial of British Columbia's Government, and parti- 
cularly to the request that a Commission be 
appointed for the purpose of inquiring into the 
financial relations between the Dominion and the 
Province. I have been unable to reach the conclu- 
sion that the appointment of such a Commission 
would be the best way of dealing with a question 
of this kind. I fear that such a course would not 
lead to the harmonious settlement of the grants to 
Provinces, which all should desire to bring about."
"However, I regard the matter at present more as one for the opinion of the Conference than for the judgment of the Dominion Government. You have assembled for the purpose of considering the sums which should properly be paid by the Dominion to the Provinces in the way of subsidy and allowance for the maintenance of Government. The British Columbia proposal comes entirely within the chief purpose of this Conference. If this Conference, after hearing Mr. McBride's arguments in support of his contention, reach the conclusion that an arbitration should take place, through a Commission, for the purpose of dealing with the claim of British Columbia, that would present the matter to the Dominion in a new light, and, while I am not prepared to express any final opinion, I can say at once that such a recommendation from the Conference would have great weight with us, and we should feel bound to give it further consideration. While I give you this expression of my own views and the views of my colleagues who are here with me, I shall, if you will permit me, offer a suggestion. I think there is a disposition on the part of the Conference to recognize that the conditions in British Columbia, owing to the vastness of her territory, to its mountainous character, and the sparseness of her population, create exceptional difficulties which should be taken into consideration in the adjustment of the distribution of the grants in aid of Provincial Governments. I am, myself, disposed to admit that such is the case. I would strongly advise that Mr. McBride avail himself of the good disposition which is manifested in the Conference, and at once approach the question of what allowance, in addition to that already contemplated, should be made to meet British Columbia's difficulties. It is a question, which, after all, can better be settled here than anywhere else. I feel assured that the Conference will be willing to deal with the matter in a spirit of fairness to British Columbia. I propose, therefore, that we shall leave you to discuss the question frankly with one another, and come to you again when probably you will have reached some satisfactory agreement."(1)

This was a decision, of course, of no small importance to British Columbia. Mr. McBride's suggestion of an independent arbitration of his Province's case was rejected, at least temporarily. Instead the whole matter was turned over to the Inter-Provincial Conference, which could hardly be termed either independent or disinterested. The Prime Minister had made a ruling, or what practically amounted to that, that the subsidy paid to any one province was the definite concern of all other provinces,—a direct reversal of the policy originally employed in the case of Nova Scotia, to which British Columbia delegates had so often related their own. Equally important, the Prime Minister indicated that he felt British Columbia deserved some special consideration, and advised the delegates to attempt an agreement on the amount. But, and this too is of no small importance, that award, in the words of Sir Wilfrid Laurier, was to be made in view of the Province's geographic conditions—"the vastness of her territory, to its mountainous character, and the sparseness of her population". Nothing was said of the strictly economic aspect of Mr. McBride's claims—the excessive contribution of British Columbia per capita to the federal treasury, and the unusually difficult position of the Province's primary industries. These arguments were not set aside by the Prime Minister. They are neither
affirmed nor denied—a portion of British Columbia's claims left quite unexplored at this time. The whole case was left to rest on the geographic conditions of the Province. This too was the attitude of the Conference generally. (1)

Unusual though this is, in view of the space assigned other arguments in the Province's memorandum to the Conference, this attitude is not entirely surprising if McBride's own statement in his final letter of protest is any measure of his verbal arguments at the meeting. (2)

Following the departure of Sir Wilfrid Laurier and his colleagues, the provincial delegates reassembled in order to discuss the Prime Minister's proposals with reference to British Columbia's claims. Considerable debate ensued, after which Hon. G. H. Murray, Premier of Nova Scotia, moved "that in the opinion of the Conference it is inadvisable that the claim, in the way of subsidies, of any Province be referred to arbitration". (3) This proposal

(1) See Resolution of Conference, quoted p. 165.

(2) See McBride to Gouin, Oct. 13, 1906; B.C. Sessional Papers 1907, p. D 12. McBride writes: "The underlying principle I have kept in mind in respect to our physical disabilities, which is our main claim for compensation, is that the allowance should not be based on population alone, but also upon the cost of administration per head of the population. It is obviously very much cheaper to administer a small, compact area with a large population, than to administer a larger, broken area with a scattered population."

(3) B.C. Sessional Papers, 1907, p. D 9; Minutes of Meeting, Oct. 12, 1906.
the Conference immediately endorsed, British Columbia alone dissenting. Premier McBride thereupon immediately laid the following declaration before the Conference:

"I protest that the question of British Columbia's claim upon the Dominion Government for a reference should not be considered by this Conference, but it is a question between the Government of British Columbia and the Dominion Government."(1)

Thus must any of British Columbia's former delegates almost certainly have spoken in like circumstances.(2) Never over-willing in its desire to cooperate with the other provinces, actually refusing to participate in the Quebec Conference of 1881, of which the present meeting was a direct descendant, British Columbia had clung fairly consistently to the belief that the question of her claims was a matter concerning which the two governments directly concerned,--the Dominion and British Columbia--should arrive at a settlement by a direct negotiation. Historical precedent for such a procedure there undoubtedly was, but the task of Mr. McBride under the present circumstances was a hopeless one. Faced with the united opinion of eight other provinces and the recent advice of Sir Wilfrid Laurier, there was little to be gained from such a protest in the way of direct results. On the other hand, it placed on record for future

(1) B.C. Sessional Papers, 1907, p. 69; Minutes of Meeting, Oct. 12, 1906.

(2) Mr. Dunsmuir would not have made this exact statement, but he would very likely have protested at the Conference's method of making its award. He proposed dealing primarily with the Dominion, the Provinces being consulted only if necessary. The 1906 procedure was a reversal of this (see p. 92).
times British Columbia's refusal to acquiesce in such a
method of settlement; and this undoubtedly was Mr. McBride's
reason for the protest.

The Conference, however, proceeded to discuss
British Columbia's position and claim upon the Dominion for
increased assistance. Matters were brought to a climax
when Hon. J. P. Whitney moved:

"That in view of the large area, geographical
position and very exceptional physical features
of the Province of British Columbia, it is the
opinion of this Conference that the said Province
should receive a reasonable additional allowance
for the purposes of civil government, in excess
of the provisions made in the Quebec Resolutions
of 1902, and that such additional allowance should
be to the extent of one hundred thousand dollars
annually for ten years."(1)

This, it should be noted, was a restatement of the
reasons which Sir Wilfrid Laurier had offered for such an
allowance. The strictly economic aspect of the problem,
the relative position of British Columbia in trade matters
was not touched upon here either.(2)

The debate upon this latest proposal was a prolonged
one, necessitating an adjournment to the following morning.
In his account of those hectic hours Premier McBride men-
tions a counter proposal which he offered, and which is not

(1) B.C. Sessional Papers, 1907, p. D 10; Minutes of Meeting,
Oct. 12, 1906.

(2) Of all, it was probably one of the least understood of
B.C.'s problems in Eastern Canada.
recorded in the minutes of the meeting. He says:

"I endeavoured, to the best of my ability, to show the total inadequacy of such a proposed settlement, and submitted an alternative proposal as follows:—

"That in case the proposed readjustment of subsidies, as set out in the resolutions of the Quebec Conference of the Provincial Premiers, be accepted by the Dominion Government, there shall be paid to the Province of British Columbia each and every year, in addition to the payments and subsidies otherwise provided, an amount understood to be what the Dominion of Canada is willing to pay and the Province of British Columbia to receive as a nominal recognition of the disabilities borne by the Province owing to peculiar physical conditions and from other causes set forth in the case of British Columbia for Better Terms and accompanying memorandum.

"That the said annual amount shall be fixed in the following manner—

"One dollar per head of the population until the amount reaches $300,000, to remain fixed until the population is 400,000.

"Seventy-five cents per head of the population thereafter until the amount reaches $500,000, to remain fixed until the population is 1,500,000.

"Thirty-three and one-third cents per head of the population thereafter until the amount reaches $600,000, to remain fixed until the population is 2,500,000.

"Twenty-five cents per head on population thereafter."(1)


"Our disabilities are of a permanent character and
This proposal the Conference would not consider; instead, the delegates proceeded to discuss the suggestion of Premier Whitney. When an amendment was offered, suggesting an allowance to the provinces of Manitoba, Saskatchewan and Alberta of half the amount to be given British Columbia, Premier McBride withdrew from the Conference in protest to the whole procedure.

When he withdrew, British Columbia was assured of $100,000 for ten years. His continued attendance could not have altered that allowance, and it might have augured to the other premiers that Mr. McBride had acquiesced to the wishes of the other members of the Conference. His

Footnote (1) continued from p. 166.

"can never be overcome. Therefore, the additional allowance for this condition must, if admitted at all, remain as permanent as the disabilities are.

"It is true that with the increase of our population, the relative cost per head may, and probably will, slightly decrease in time, but while the ratio of disparity may alter, the general condition will always remain.

"Moreover, our requirements for developments in the immediate future, and by reason of sparse population, are per head greater than they will be after some time to come.

"Consideration also must be had for the disabilities and conditions of the past as well as those of the future.

"Therefore, the proposal I have submitted, as to amounts asked, has been framed on a sliding scale which conforms to the principles we have laid down. It applies, so to speak, automatically, or as nearly as we conceive it should apply."
withdrawal had the value of a protest well timed to realize its full force, if it were to be of any effect, for it occurred shortly before Sir Wilfrid Laurier and the federal delegates entered to announce their conclusions upon the resolutions submitted the previous Wednesday, and to receive the Conference's proposal with reference to British Columbia's claim for special treatment. Actually, the withdrawal had little effect, and from results it seems as if Mr. McBride played this last card in his losing game to little advantage, for apart from announcing in no uncertain terms that British Columbia was adamant upon accepting the result of the Inter-Provincial Conference as a satisfactory settlement or a judicial decision of her claims, nothing was achieved by it that would justify its wisdom.

Mr. McBride's dissention and retirement from the Conference was announced to the Prime Minister at this last meeting of federal and provincial representatives, following the presentation of the resolution passed with respect to British Columbia's special grant. After these preliminaries Mr. McBride re-entered the Conference and remained until the close of the meeting. Sir Wilfrid announced that his government had decided to grant the increases requested, with the exception of the special British Columbia resolution, which in view of the disagreement, would necessitate
further consideration. Finally the Prime Minister concluded that his government "desired to impress upon the Conference the fact that these resolutions of 1887 seemed to have been drawn and considered with great care, and they are of opinion that the terms agreed to at that time ought not to be departed from"--in other words, the federal government insisted the new basis be made "final and unalterable".

In the afternoon of the same day, the provincial delegates met. The only other significant event of this

(1) Two additional proposals of the Conference were rejected by the Prime Minister. They were:
   1. That a bill should be introduced into the Parliament of Canada providing for the payment of the increased subsidies and allowances pending necessary amendment of the B.N.A. Act.
   2. That the provinces be awarded by Canada an amount sufficient to meet the costs of the administration of criminal justice, not exceeding 20 cents per head of the population. The resolutions accepted were substantially the same as those of the Conferences of 1887 and 1902 (see p. 104).

(2) B.C. Sessional Papers, 1907, p. D 24; Minutes of Meeting, Oct. 13, 1906. Following this joint meeting, the provincial delegates agreed, at the suggestion of the Prime Minister, to recommend to their respective legislatures, the abolition of any special taxes placed on companies incorporated by the Dominion (see p. D 13). The Prime Minister also took occasion at the joint meeting to remark upon the unsatisfactory condition of a divided control of the fisheries.
final day of the Conference was a meeting of the provincial delegates at which a letter addressed to Hon. Lomer Gouin for Premier McBride, was read and considered. In part, Mr. McBride's letter is hereafter quoted, for it is a document of considerable historical importance, explaining as it does, his position in the matter of his withdrawal from the Conference. It reads:

"In view of the critical stage reached in the negotiations in respect to the additional allowance claimed by British Columbia, I desire to place my position clearly and explicitly on record.

"There are three main phases of the case of the Province determining the attitude of its government, to which I wish particularly to direct the attention of the members of this Conference:

"1. British Columbia did not secure as favourable terms upon entering Confederation as subsequent events have shown it was entitled to have obtained.

"2. The Province, by reason of its peculiar circumstances, has contributed, and still continues to contribute, per head, enormously in excess of the average of the rest of the Dominion to the Federal Treasury.

"3. Owing to the physical conditions of British Columbia, the average cost of administration per capita has, for a period covering thirty years, been shown to be five times that of the other Provinces. The physical conditions to which I refer either do not exist at all in the other Provinces or not by any means in the same degree.

"There has been no attempt to dispute the facts of our case, and I hold that our contentions are inconvertible. I cannot, therefore, be expected to forego the pressing of claims founded on such facts, for the sole purpose of arriving at unanimity and harmony in this Conference, however desirable in itself the latter may be. Even were I disposed to
"make the sacrifice, the people of the Province would not exonerate me."

"I take the position that if the members of this Conference recognize the claims of British Columbia for special consideration they are morally bound to give them their support. If, on the other hand, they do not admit their validity, it is, I admit, equally incumbent in their case to assist in having our claims investigated before a competent and independent tribunal. Our contentions are sound or they are not sound. With this in view, I have insisted upon a formal declaration of the attitude of this Conference being placed on record before proceeding with a discussion of the terms I have proposed. .......

"I wish to state here in all earnestness that I cannot depart from those principles in any settlement we may make in respect to our special claims. I am not bound to the exact letter of our demands, and am willing to go as far as possible, consistent with our general position, to meet the wishes of my confreres on this occasion; but, unless the members of this Conference are prepared to go much farther in my direction than they have done, it is useless to discuss such an arrangement as is contained in the resolution of to-day, and I had no other alternative other than to protest and to retire, declining to take further part in the proceedings."(1)

The Conference's answer, contained in a letter drafted after debate, was merely to announce that the resolution with respect to British Columbia had been passed, adding, "This resolution shows distinctly that the Conference recognized the claim of British Columbia for exceptional treatment. I am specifically directed to add that it was passed after all

data presented by you had been fully considered."(1)

Whatever the final judgment upon Mr. McBride's procedure at Ottawa may be, there can be little doubt that the electorate of British Columbia approved his actions. In December, after his return to Victoria, the House was dissolved and the Premier faced the final test of a provincial election. That there were other important issues at this election cannot for a moment be denied, but both parties showed a definite desire to make a fight of the whole better terms question, and in particular McBride's conduct of the Ottawa negotiations.(2) In a written statement to the public on January 1st, the Premier set forth the government's case as follows:

"Even if there were no other reasons for an appeal to the country, it would be the duty of the government to give the electors an opportunity to at once pass judgment upon my course at the recent interprovincial conference at Ottawa. ....

"It was not intended when union was effected that either of the parties to it should profit to the injury of the other, but that the functions on the one hand, and the source of revenue on the other, of the respective governments should be so divided that each should have enough to meet its needs and no more. ....

"My position is that the province ought not to suffer for this defect in the Terms of Union for


(2) Prominent in the Liberal platform also were charges of corruption, particularly in connection with the Kaien Island Land grant.
"which it is not responsible; that there should be added to its annual subsidy such a sum as will fulfill the intentions of the treaty; that this sum should be arrived at by an investigation of the facts of the case, and that the Dominion should agree to accept the findings of an impartial commission appointed to make such an investigation. I hold, further, that if the Dominion government should refuse to adopt this, or some other method of reaching a fair settlement, it will be the duty of this province to appeal to the Imperial authorities for such relief from the manifest injustice it now suffers as they may be able to afford. And I appeal to the people of the province to declare themselves definitely upon this all-important question.**(1)**

As the campaign proceeded, the Conservatives went farther in their assertions. W. W. B. McInnes, who had been Governor of the Yukon, resigned that position to re-enter provincial politics, as joint leader of the Liberals with J. A. Macdonald. This, and other occurrences of the kind, led to charges from the Conservatives of federal interference. All over the Province, coupled with his better terms demands, went the companion charge that the federal government was now unjustly interfering in British Columbia politics, the inference being that this was an indirect way of forcing the Province into line with the

**(1)** Colonist, Jan. 1, 1902, p. 2. McBride's request for a dissolution, however, was based on criticism of his financial policy. His conduct at Ottawa was not mentioned in his communication to the Lieutenant-Governor (see McBride to Lieut.-Governor, Nov. 2, 1906; Premier's Letter Book, 1906-1909).
findings of the Ottawa Conference. The proof of this charge is as impossible now as it was when it was originally made; but it was excellent campaign material, and Premier McBride and W. J. Bowser, who by now had become one of the Premier's ablest lieutenants, made the most of it; and certainly the actions of Mr. McInnes, and Judge Henderson, who resigned his position also to enter the fight for the Liberals in Vancouver, lent colour to the McBride charges.\(^1\)

The Liberals' reply on this score was an unqualified denial. They charged the Premier with insincerity in the whole question of better terms.\(^2\) His actions at the Conference were the subject of the severest criticism, especially by Mr. McInnes who declared:

"If you are ever going to get better terms for British Columbia you will have to stand behind a Liberal Premier. McBride has put himself out of court. We are a member of a partnership of provinces, and unless we get from them by their good will and cooperation the better terms we are seeking, we shall never get them at all."\(^3\)

When the ballots were counted on February 2, 1907, there was no doubt of the electorate's opinion; the result

\(^1\) See the following numbers of the Vancouver Province, which report meetings at various points in the Province: Jan. 8, 1907, p. 1; Jan. 12, 1907, p. 1; Jan. 24, 1907, p. 15; Feb. 1, 1907, p. 10.

\(^2\) Victoria Times, Jan. 29, 1907, p. 1.

\(^3\) Vancouver Province, Jan. 9, 1907, p. 4.
was a complete vindication of Premier McBride's actions. Returned to power with an increased majority, the Premier naturally felt he had received an unhesitating endorsement. The Liberals urged that the victory came rather from the country's prosperity—which, they insisted, was mostly due to the Laurier government's wise policies—and that the better terms question and the charges of federal interference had had little if any effect. In that belief they undoubtedly found some consolation; but, while frankly admitting the undoubted influence of good times and a provincial surplus, it is doubtful if the question of better terms can be dismissed that easily. The Liberals during the campaign had done their best to shake the government's support in that respect; and McBride for his part had asked for a definite electoral mandate to proceed with his demands. The Liberals, like the provincial Conservatives in the preceding federal election, having made an open fight of British Columbia's better terms demands and lost, would fain have dismissed the whole question and once more have relegated it to the realm of non-party matter.

(1) McBride had a clear majority of twelve. The Conservatives elected 27 supporters, the Liberals 12 and the Socialists 3.
But now especially that could not be done. Premier McBride took the election result as a declaration of public will on the question. Thus when Sir Wilfrid Laurier introduced into the House of Commons the amendments to the constitution suggested by the Ottawa Conference, including British Columbia's special $100,000 allowance and the provision that these reforms were to be final and unalterable, Premier McBride immediately asked the local legislature to pass a resolution specifically endorsing his actions, protesting any final and unalterable settlement, and finally declaring the incompetence of the Ottawa Conference to properly adjudge the merits of British Columbia's case. The resolution concluded with the declaration:

"That a proper investigation of such claims would entail those charged with it visiting British Columbia and examining conditions on the spot, and that an independent tribunal such as suggested in the memoranda mentioned above would be the only just method of arriving at a proper decision as to such claims; and that, particularly, in view of the fact that other provinces of the Dominion are making similar claims of a financial character there is such a conflict of interest as would mitigate very strongly against an equitable decision as to the claims of British Columbia being arrived at by a tribunal composed, in its entirety, of representatives of other provinces."

The resolution passed on March 25th, on a straight

(1) See Colonist, March 19, 1907, p. 2. Also see Colonist, March 21, 1907, p. 2.
party vote between Conservatives and Liberals; the three Socialists, while agreeing in part with the resolution, did not entirely concur and therefore retired, taking no part in the voting. (1)

Curiously enough, on the same day the House of Commons was debating the Address to the Throne which was moved by Sir Wilfrid Laurier and embodied the changes proposed to be made in the Confederation Act. Those changes expressed the will of the Inter-Provincial Conference of 1906. (2) The debate is an important one and its subject matter covers practically the entire field of the better terms negotiations in Canada. Sir Wilfrid Laurier, in outlining the history of the revisionary movement, and the purpose of the present changes, made his own position on the matter of the finality of the arrangement to be entered into quite clear. The award to Nova Scotia in 1869 had set a precedent upon which all subsequent demands for revision were based, and he added: "The door which was then opened never had been closed to the present day." (3) His purpose

(1) See Colonist, March 26, 1907, pp. 1, 10, 12. Also see Colonist, March 27, 1902, pp. 5, 9, 12.

(2) See p. 8. For the "Address to the Throne" as passed by the Canadian Parliament see Appendix. For Laurier's "Notice of Motion" see Canadian Hansard, 1906-07, Vol. III, p. 5288.

(3) Ibid., p. 5297.
was essentially to grant the provinces what they were now asking and then close that door. Speaking of the various demands for increased grants, the Prime Minister said:

"What is remarkable in this portion of our history is, that all these grants have been made by parliament without any plan, without any guiding principle, but simply as the expediency of the moment suggested, or rather as the financial difficulties of one province or the other were more or less urgent."(1)

The policy of the government had been to "ascertain what was the most they (the provinces) deemed requisite in order to prevent their coming again to Ottawa and knocking at the door of this parliament".(2) To questions from Sir George Foster regarding the proposal to make the changes asked for "final and unalterable", the Prime Minister offered the reply that has so often been cited since in subsequent discussions of the Act of 1907. "The hon. gentleman knows," Sir Wilfrid answered, "that there is no other finality in all these matters but the will of the people, the will of parliament itself."(3)

The settlement of British Columbia's request for special assistance did not pass without comment. One question asked the Prime Minister was the same one which Mr.

(2) Ibid., p. 5304.
(3) Ibid., p. 5308.
McBride and British Columbians generally were pondering:

"Does the Prime Minister expect the physical conditions to change in ten years?"(1) Sir Wilfrid's answer is therefore not without decided interest to British Columbians. He replied:

"No. But, in ten years British Columbia will have another transcontinental railway, and many other railways also; she will be brought into close contact with the markets of the east. I believe, and I think my hon. friend (Mr. Sproule) will agree with me that in ten years the conditions in British Columbia should have materially changed."

Of the government's critics, Sir George Foster unquestionably was the most insistent and one portion of his speech is of decided interest for, approaching the problem from the opposite viewpoint, he arrives at practically the identical criticism of the procedure adopted in deciding upon the proposed revision that characterized the British Columbia Premier's attacks. Considering the new arrangement from the Dominions standpoint, and the effect of the changes on the federal government, he says:

"Instead of there being any expert examination, any careful looking into the matter by the Dominion government through their financial department, and with the aid of their expert accountants and financiers, it simply amounts to this, that the provincial premiers claimed so much, and the Dominion government came to the conclusion that

"the easiest way was, as they were in practical agreement, to give them exactly what they asked for, and so get rid of the business as quickly as possible. A four days conference was quite sufficient to clear up this whole matter and lay the burdens on this Dominion for all succeeding years, and it ended virtually giving to each province what the provincial premiers demanded, and giving to British Columbia, against British Columbia's protest, not what the Dominion government decided should be given, but what the provincial premiers decided should be a fair allowance to British Columbia."(1)

Mr. McBride would have gone farther than this, of course, and declared that the only fair and equitable way of arriving at a just allowance for British Columbia would be by the award of an independent commission. To the suggestion that the federal experts were competent to decide upon the amount he must naturally have taken exception, but otherwise, so far as it goes, Mr. McBride would agree with this criticism, which in turn offers some corroboration to his disagreement at the manner in which the awards were arrived at.

CHAPTER VII.


On March 30, 1907, the Executive Council of British Columbia passed a minute, reciting the resolution passed in the Legislative Assembly on March 25, endorsing Premier McBride's actions and recommending an appeal in the interests of the Province to the Imperial government. As a consequence, the Premier was appointed "Special Agent and Delegate, for the purpose of laying the appeal of British Columbia before the Imperial Government". Ottawa was advised of this action by the Lieutenant-Governor on April 2nd, who also requested that the Secretary of State for Colonies be notified of the appointment. (1) The following day Lieutenant-Governor Dunsmuir wired direct to the Colonial Secretary notifying him that a delegate was proceeding to London. (2)

The Petition of British Columbia to the King was drawn up by the cabinet and presented to the Lieutenant-Governor on April 9, and the following day received his approval. This appeal recites the course of the Ottawa

(1) Dunsmuir to Secretary of State, Ottawa, April 2, 1907; B.C. Sessional Papers, 1908, p. C 12. Also see Minute of Council, at p. C 12.

(2) Dunsmuir to Secretary of State for Colonies, April 3, 1907; B.C. Sessional Papers, 1908, p. C 14.
deliberations, the subsequent address passed by the Canadian House of Commons and to be presented to His Majesty, the British Columbia Resolution on March 25th, and then proceeds:

"Your petitioners submit that although the claims of British Columbia to special treatment were recognized by both the Conference and the Dominion Government, as above indicated, due consideration was not given to the fact that the physical disabilities of the Province are permanent and that the additional allowance for this condition must also remain permanent.

".... Your petitioners submit that only by the appointment of a Commission, as set forth in the memorandum submitted to the Dominion Government by the Honourable Richard McBride, on October 10th, 1906, can a proper decision be arrived at with regard to the claims of British Columbia.

"That the proposed amendment to the 'British North America Act', allowing $100,000 a year for ten years as a final and unalterable settlement for the recognized claims of British Columbia would inflict an injustice, both because of the inadequacy of such compensation and by reason of the fact that the Province would be deprived of the right to have such claims further recognized or considered."(1)

On April 11th Premier McBride left for London, reaching his destination on the 27th of the same month. It was not until May 3rd, however, that Mr. McBride was able to interview Lord Elgin, Secretary of State for the Colonies. At that interview he presented the Province's claims, and in particular he stressed the injustice of the attempt to make

the revision "final and unalterable". Thereafter several interviews were had with Mr. Winston Churchill, who was then Parliamentary Under-Secretary of State for the Colonies, and other officials of the Colonial Office. On two occasions Premier McBride consulted Sir Wilfrid Laurier, who was then in London, with a view to arranging an amicable settlement of the difficulty, but the Canadian Prime Minister was unwilling to accept any modification of the proposed bill.

There was an undeniable disposition on the part of the Imperial authorities in all these discussions to avoid anything that might be interpreted as an interference in the domestic affairs of Canada. The Dominion and all the provinces, with the exception of British Columbia, were agreeable to the terms of the proposed settlement; a fact against which Mr. McBride urged the justness of his claims and the theory that the Terms of Union formed a separate and distinct treaty between Dominion and Province which

(1) In reporting this interview, Mr. McBride says: "I made it clear to His Lordship that while I realised that no Act of Parliament could be regarded as 'final and unalterable' in its effect, yet the using of such words in the text would seem to express an intention on the part of the Dominion Parliament and a majority of the Governments of the Provinces of Canada, against which the Government, Legislature and people of British Columbia were resolutely opposed, and that if allowed to remain would be prejudicial in the extreme to the hope of the question of our special claim ever being again opened up." See B.C. Sessional Papers, 1908, p. C 2.
could alone be altered by direct negotiation between the two governments concerned, to very little avail.

On June 5th, the following official communication was received from Lord Elgin containing the Imperial government's final reply to Premier McBride's requests:

"2. Lord Elgin fully appreciates the force of the opinion expressed that the British North America Act was a result of terms of union agreed upon by the contracting Provinces and that its terms cannot be altered merely at the wish of the Dominion Government.

"3. But, in this case, besides the unanimous approval of the Dominion Parliament in which British Columbia is of course represented to the proposed amendment of section 118 of the British North America Act, his Lordship is bound to take into account the fact, that at the Conference of 1906 the representatives of all the other Provinces of Canada have concurred in fixing at $100,000 annually for ten years the additional allowance payable to British Columbia, while rejecting the claim of Manitoba, Alberta and Saskatchewan for additional grants, and that they also rejected the proposal that the claim of any province should be referred to arbitration.

"4. His Lordship feels, therefore, that in view of the unanimity of the Dominion Government and all the Provincial Governments, save that of British Columbia, he would not in the interests of Canada be justified in any effort to override the decision of the Dominion Parliament or to compel the reference of the question to arbitration.

"5. I am to add that no mention will be made in the Imperial Act of the settlement being 'final and unalterable', such terms being obviously inappropriate in a legislative enactment.

"6. His Lordship also desires it to be understood that he expressed no opinion upon the sufficiency or otherwise of the quantum of extra
(1) Bertram Cox to McBride, June 5, 1907; B.C. Sessional Papers, 1908, p. C 2-C 3. The first part of paragraph 3 offers an interesting comparison to the theory advanced by the Hon. Charles Wilson in 1903 when confronted with the problem of the competence of the Dominion Parliament to deal with the revisions then asked for. In effect, a similar argument is here used against the Province's request to the Imperial government to overrule the Dominion's amendment recommendation (see p. 123, Ch. V; or see Wilson to Laurier, July 16, 1903; B.C. Sessional Papers, 1903-1904, pp. G 16-17).

Premier McBride's answer to the above letter will be found at p. C 3 of the B.C. Sessional Papers, 1908. As to the nature of the B.N.A. Act Mr. McBride says:

"In a general way I would venture to observe that your Lordship appreciates the force of the opinion expressed that the British North America Act was the result of terms agreed upon by the contracting Provinces, individually, and the Dominion, and is not to be altered solely at the wish of the Parliament of Canada. This lies at the basis of our contention. Although the principles which underlie the Act of Confederation are common and uniform, the financial arrangements under which the Provinces entered the Dominion are essentially separate and distinct, based upon special conditions in each province. The Terms of Union between British Columbia and the Dominion of Canada are in many respects unlike those of the other Provinces in Canada; therefore, special requirements cannot in justice be made subject to the will or arbitrament of an inter-Provincial Conference having only in view the basis of a re-adjustment uniformly applicable to all."

This attitude, it should be noted, characterized Mr. McBride's programme throughout, and is in direct contradiction to the stand originally taken by Premier Dunsmuir in 1902. Mr. Dunsmuir, it will be remembered, in opening the better terms negotiations expressed his willingness to deal with a convention at which all the other provinces should be represented (see p. 92); Premier McBride, on the other hand, though attending such a conference, insisted that the question of special terms for British Columbia was entirely outside the jurisdiction of the other provinces, and concerned only the two directly negotiating governments.
This was, of course, an official announcement of the failure of Premier McBride's efforts save on one front. On the question of the finality of the proposed amendment he alone seemed to have scored a victory. On June 13th the bill to amend the British North America Act was introduced by Mr. Churchill into the House of Commons. On the 27th it was given its second reading, and his work apparently at an end, Mr. McBride took his departure the following day, arriving at the provincial capital on July 14th.

All was not completed, however. No sooner was he home than Premier McBride's attention was directed to a statement in press despatches from London to the effect that the words "final and unalterable" were proposed to be inserted into the Act by the House of Lords. Mr. McBride immediately wired Lord Elgin, and the first failing to bring a reply, a second message was despatched two days later. (1) To this the Colonial Secretary replied, explaining that the Dominion Parliament's address to the Throne was referred to in the preamble of the Act as passed and a full text of the address inserted as a schedule, but that the words "final and unalterable" did not appear in any portion of the enacting part of the bill. In this form the "British North America Act, 1907" received the Royal Assent on

(1) See McBride to Elgin, July 15, 1907 and July 17, 1907; B.C. Sessional Papers, 1908, p. C 4.
August 9, 1907, and another chapter in the relations of Dominion and Province was closed—a chapter which culminated in the successful realization of the objective of the Quebec Conference of 1887 and the subsequent better terms movement. Reference to the Imperial Act and a comparison with the resolutions of that Conference will show how complete was the measure of that success. (1)

To British Columbia, however, which neither began nor finished with the other provinces in their negotiations, the Act of 1907 was far from a successful climax, but was at once regarded both as unsatisfactory and at most a temporary reversal. Looking back over a period of approximately a quarter of a century, British Columbia's claims for a re-adjustment of the Terms of Union present an imposing array of historical data, which may, however, by careful analysis, be simplified and reduced to three distinct arguments.

First: The injustice of the original terms. This is the claim that the actual operation of the Union Terms had established a decided inequality in the bargain entered into in 1871 in favour of the Dominion, that, moreover, the subsequent history of Confederation had shown how unfounded were some of the original assumptions upon which those terms

(1) See Appendix.
were based, and that in part at least these false assumptions accounted for the inequality of the original agreement and constituted a moral, if not legal, right to its revision. In 1907 this particular phase of British Columbia's case was not accorded great weight or significance; and, perhaps, not without good political sense, Mr. McBride did not stress it. Naturally it involves the whole question of the Canadian Pacific Railway, and by that very token, more quickly than any other argument he could have raised, would have aroused that sectional spirit of Eastern Canada which had so often before characterized its attitude towards the railway clauses of the Union Act and would now have added another barrier to the successful prosecution of his suit.

Second: Geographic conditions. British Columbia has consistently claimed that because of the existing physical conditions in the Province it requires special consideration. It was upon this that both Sir Wilfrid Laurier and Premier McBride placed most weight in 1907. This, of course, at once raises the question, is a federal government bound to account for and attempt to equalize, by means of additional subsidies, the natural geography of the various provinces? It is a question not without considerable difficulty and as an abstract problem of government its answer remains doubtful. But in 1907, every government in
Canada acknowledged that duty, and in a sense the matter is therefore settled. The amount of such extra allowance is another and totally different problem. To British Columbia the award of $100,000 was definitely insufficient; to the other provinces and to Canada it was the limit of indulgence. The question of the added cost to government which these unusual geographic conditions involve is surely one which would require thorough and expert investigation. One naturally wonders with Mr. Foster, how a group of delegates meeting at Ottawa for a week, the British Columbia Memorandum containing their only apparent information on the subject, arrived at that figure. And more especially, one wonders how they arrived at the theory that a decade would eliminate those conditions. Upon what grounds did they decide that a grant for ten years should be "final and unalterable"? Political expediency or a judicially correct award, which was their objective? Apart from the sufficiency or otherwise of the actual amount, the method of arriving at the award seems, in retrospect, to have been a matter of good business rather than good statesmanship, and only the latter so far as the two are parallel.

Third: Economic conditions. This is possibly the oldest argument in point of actual historical appearance. Upon it—British Columbia's per capita contribution to the
federal treasury—was based on the Province's claim for cabinet representation and the demand for special railway subsidies, even before better terms had become a political force. Yet in the present negotiations, it did not assume an important role; Premier McBride probably attached less importance to it than either Mr. Dunsmuir or Col. Prior had done. It is, however, a more deep rooted problem than any of these leaders realized, an inherent difficulty in a large country such as Canada with a wide variety of opposing and conflicting economic needs. The problem is to attune one economic policy to the wide range of industrial conditions existing from Atlantic to Pacific. It is a commonplace truth to observe that a programme suitable to one section can be almost suicidal to another. Obviously, British Columbia, for its part, produces commodities which in the main are exported, and therefore sell on the basis of world competition. Her home market is small and ineffective. Her purchases, on the other hand, are either made in Eastern Canada, on which a tariff bonus must be paid, or are direct importations. Thus, as has many times been said, British Columbia is "buying in the dearest market, and selling in the cheapest"—a condition which is ruinous and one which certainly cannot permanently endure. This, rather than her contributions to the federal treasury, is British
Columbia's real economic complaint. Actually it affects the productive powers and wage earning possibilities of the inhabitants themselves to a greater extent than do either of the other conditions to which reference has been made. And it is well to remember that the economic policies are man-made instruments for which the governments constructing them must assume full responsibility. It is conceivable, as was said before, that the Dominion might deny its responsibility in the case of geographic conditions, but no such denial can be made with respect to the equally important "economic mountains" which are of its own creation.

And the difficulty which any attempt to equalize the effect of economic policies presents cannot permanently stand as an answer to the problem if Confederation is to achieve that harmony and unity of purpose, political and social, as well as economic, for which it should stand. The office of the historian in this case is not to evolve a solution. That, rather, is the problem of the economist. But, history is emphatic in the warning which it repeatedly gives on this point and a survey of the Better Terms Movement in British Columbia, even prior to 1907, would not be complete without a recognition of the real significance of this essentially economic problem.

Finally, in considering the closing act of this
drama of the Better Terms Campaign and the actors therein, one must award a measure of praise to the gentleman who appears in the character of British Columbia's chief advocate for a somewhat obscure suggestion which otherwise might be completely lost sight of in the more stirring events of the play itself. Mr. McBride's request for some definite means of periodic revision was one of the soundest and most statesmanlike suggestions produced by the whole era of negotiations, and if it had been successfully carried out, possibly its most important gift to subsequent generations.

And what of Premier McBride's mission to London? It failed to achieve any alteration of the financial terms of the settlement, or to establish British Columbia's right to have her case investigated by an independent commission. Such an achievement, in view of the overwhelming odds against McBride, could not have been expected. One monument alone remains to that mission—the elimination of the words "final and unalterable". One wonders why so much stress was laid upon their inclusion or elimination. Both Laurier and McBride, who here appear as adversaries, knew that such a condition was impossible under parliamentary government.

In introducing the 1907 Bill into the House of Commons, Laurier declared: "There is no other finality in all these
matters but the will of the people, the will of parliament itself.**(1)** Yet over and over again we have seen him stress the need of arriving at a final settlement with the express object of "closing the door" opened by the Nova Scotia Amendment of 1869. McBride too knew full well the ineffectual nature of the offensive words, for in his own account of his mission he says, "I realized that no Act of Parliament could be regarded as 'final and unalterable' in its effect."**(2)** Yet knowing that he voyaged to the Imperial Capital and succeeded only in having those words removed from the Act, and still he regarded his mission as eminently successful. The only explanation is that both men were doing their utmost to establish a precedent. Laurier, on his part, was attempting to set a precedent of "finality", which, though ultimately impossible, yet endorsed by Provincial, Dominion and Imperial governments would have sufficient weight to make any attempt to reopen the Terms of Union extremely difficult. His was the policy of the "closed door"--a door which if not permanently barred was at least to be well enough bolted to withstand easy assault. McBride's mission was the preservation of the right of

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**(1)** See account of this incident, p. 178, Ch. VI.

provinces to freely appeal for a revision of the Union Act, and his problem to prevent the establishment of any precedent, in a constitution that allows precedents a full measure of authority, that would endanger such a privilege. In striking out the words, which he journeyed to London to erase, symbolically at least, the supremacy of Parliament to law itself was once more curiously asserted, a result which saves Mr. McBride's mission from charge of complete failure and one that perhaps will induce his critics to overlook any attack to which the British Columbia Premier, in going over the head of Ottawa, may have exposed himself.

The whole incident is vaguely reminiscent of a condition not unlike the present, when Blake's attack upon Macdonald's policy of altering the Confederation agreements to grant Nova Scotia better terms was in full flight. In place of a petition offered by Blake requesting the Imperial Parliament to pass a measure providing that the Dominion should not have power to disturb the financial relations of the British North America Act, the Prime Minister succeeded in passing an amendment declaring "that it is the undeniable privilege of Parliament to fix and determine the amount of all expenses chargeable to the public funds of the country," the canny Scottish father of the Canadian Confederacy dryly

(1) See p.
commenting that this was the first case he had heard of "where a people said they had too much liberty and were not fit to be trusted with their own money".
APPENDIX

(7 Edw. VII, C 11)

An Act to make further provision with respect to the sums to be paid by Canada to the several Provinces of the Dominion

(9th August, 1907)

Whereas an address has been presented to His Majesty by the Senate and Commons of Canada in the terms set forth in the schedule to this Act:

Be it therefore enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

I.-(1) The following grants shall be made yearly by Canada to every Province, which at the commencement of this Act is a Province of the Dominion, for its local purposes and the support of its Government and Legislature:—

(a) A fixed grant--

Where the population of the Province is under one hundred and fifty thousand, of one hundred thousand dollars;

where the population of the Province is one hundred and fifty thousand, but does not exceed two hundred thousand, of one hundred and fifty thousand dollars;

where the population of the Province is two hundred thousand, but does not exceed four hundred thousand, of one hundred and eighty thousand dollars;

where the population of the Province is four hundred thousand, but does not exceed eight hundred thousand, of one hundred and ninety thousand dollars;
where the population of the Province is eight hundred thousand, but does not exceed one million five hundred thousand dollars;

where the population of the Province exceeds one million five hundred thousand, of two hundred and forty thousand dollars; and

(b) Subject to the special provisions of this Act as to the Provinces of British Columbia and Prince Edward Island, a grant at the rate of eighty cents per head of the population of the Province up to the number of two million five hundred thousand, and at the rate of sixty cents per head of so much of the population as exceeds that number.

(2) An additional grant of one hundred thousand dollars shall be made yearly to the province of British Columbia for a period of ten years from the commencement of this Act.

(3) The population of a province shall be ascertained from time to time in the case of the provinces of Manitoba, Saskatchewan, and Alberta respectively by the last quinquennial census or statutory estimate of population made under the Acts establishing those Provinces or any other Act of the Parliament of Canada making provision for the purpose, and in the case of any other Province by the last decennial census for the time being.

(4) The grants payable under this Act shall be paid half-yearly in advance to each Province.

(5) The grants payable under this Act shall be substituted for the grants or subsidies (in this Act referred to as existing grants) payable for the like purposes at the commencement of this Act to the several Provinces of the Dominion under the provisions of section one hundred and eighteen of the British North America Act, 1867, or of any Order in Council establishing a Province, or of any Act of Parliament of Canada containing directions for the payment of any such grant or subsidy, and those provisions shall cease to have effect.

(6) The Government of Canada shall have the same power of deducting sums charged against a Province on account of the interest on public debt in the case of the grant
payable under this Act to the Province as they have in the case of the existing grant.

(7) Nothing in this Act shall affect the obligation of the Government of Canada to pay any Province any grant which is payable to that Province, other than the existing grant for which the grant under this Act is substituted.

(8) In the case of the Provinces of British Columbia and Prince Edward Island, the amount paid on account of the amount payable per head of the population to the Provinces under this Act shall not at any time be less than the amount of the corresponding grant payable at the commencement of this Act; and if it is found on any decennial census that the population of the Province has decreased since the last decennial census, the amount paid on account of the grant shall not be decreased below the amount then payable, notwithstanding the decrease of the population.

2.—This Act may be cited as the British North America Act, 1907, and shall take effect as from the first day of July, nineteen hundred and seven.
Schedule

To The King's Most Excellent Majesty

Most Gracious Sovereign,

We, Your Majesty's most dutiful and loyal subjects, the Senate and Commons of Canada, in Parliament assembled, humbly approach your Majesty for the purpose of representing that it is expedient to amend the scale of payments authorized under section 118 of the Acts of the Parliament of the United Kingdom of Great Britain and Ireland, commonly called the British North America Act, 1867, or by or under any terms or conditions upon which any other Provinces were admitted to the Union, to be made by Canada to the several Provinces of the Dominion for the support of their Governments and Legislatures by providing that—

A. Instead of the amounts now payable, the sums hereafter payable yearly by Canada to the several Provinces for the support of their Governments and Legislatures be according to population and as follows:

(a) Where the population of the Province is under 150,000—$100,000;

(b) Where the population of the Province is 150,000 but does not exceed 200,000—$150,000;

(c) Where the population of the Province is 200,000 but does not exceed 400,000—$180,000;

(d) Where the population of the Province is 400,000 but does not exceed 800,000—$190,000;

(e) Where the population of the Province is 800,000 but does not exceed 1,500,000—$220,000;

(f) Where the population of the Province exceeds 1,500,000—$240,000.

B. Instead of an annual grant per head of population now allowed, the annual payment hereafter be at the same rate as eighty cents per head, but on the population of each Province, as ascertained from time to time by the last decennial census, or in the case of the Provinces of Manitoba, Saskatchewan, and Alberta, respectively, by the last quinquennial census or statutory estimate, until such population exceeds 2,500,000, and at the rate of sixty
cents per head for so much of said population as may exceed 2,500,000.

C. An additional allowance to the extent of one hundred thousand dollars annually be paid for ten years to the Province of British Columbia.

D. Nothing herein contained shall in any way supersede or affect the terms special to any particular Province upon which such Province became part of the Dominion of Canada, or the right of any Province to the payment of any special grant heretofore made by the Parliament of Canada to any Province for any special purpose in such grant expressed.

We pray that Your Majesty may be graciously pleased to cause a measure to be laid before the Imperial Parliament at its present Session repealing the provisions of section 118 of the British North America Act, 1867, aforesaid, and substituting therefor the scale of payments above set forth, which shall be a final and unalterable settlement to be paid yearly to the several Provinces of the Dominion for their local purposes and the support of their Governments and Legislatures.

Such grants shall be paid half-yearly in advance to each Province, but the Government of Canada shall deduct from such grants as against any Province all sums chargeable as interest on the public debt of that Province in excess of the several amounts stipulated in the said Act.

All of which we humbly pray Your Majesty to take into your favourable and gracious consideration.

(Signed) R. Dandurand,
Speaker of the Senate.

(Signed) R. F. Sutherland,
Speaker of the House of Commons.

Senate and House of Commons,
Ottawa, Canada, 26th April, 1907.
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