
REPORT

By the Hon. Mr. Walkem, of his mission to Ottawa, with respect to Railway, Dock, and other matters.

ATTORNEY-GENERAL'S OFFICE,
Victoria, March 29th, 1880.

MAY IT PLEASE YOUR HONOUR :

I have the honour to report the result of the negotiations which I was deputed to enter into with the Dominion Government, at Ottawa, upon the subjects mentioned in a Minute of Council approved of by Your Honour on the 27th of December last.

Leaving Victoria on the last day of December, I reached Ottawa on the evening of the 15th of January, and on the following day had preliminary business interviews with the Leader of the Government and some of his colleagues.

Learning that arrangements with the Government were pending for transfers to third parties of the contracts which had been awarded for railway work on the Mainland, I considered it prudent to defer negotiations respecting railway work on the Island until the transfers had been settled, lest any action on my part with respect to the Island Section should unsettle the plans of the Government, and possibly lead to the postponement, for the season at least, of construction on the Mainland. It also appeared advisable in presenting the Railway and Dock Questions to completely sever them, and leave the consideration of one to await the settlement of the other. As Your Honour is aware, the earliest possible settlement of dock matters was very desirable, as the tenders which had been received for its construction could not be safely dealt with until the final intentions of the Dominion Government respecting the aid to be given by them to the work should be ascertained.

ESQUIMALT GRAVING DOCK.

For the above reasons, the questions relating to this work were presented first and were discussed at interviews severally held with the Premier and the Minister of Finance on the 16th, 17th, 19th and 20th January, and, in order that the views of your Government upon the subject might be fully and correctly placed before the Privy Council, I wrote the following letter on the 21st of January to the Minister of Finance, and delivered it to him personally next day. I also made and sent a copy of it to the Leader of the Government.

*
"OTTAWA, January 21, 1880.

"SIR,—Referring to our recent interviews relative to the aid to be given by the Dominion to the Esquimalt Graving Dock, I beg leave to submit in writing the observations which I had the honour to make to you respecting the modification, required by the Provincial Government, in the last Order of the Honourable the Privy Council bearing upon the matter, and dated the 13th of November last.

"I believe it is now mutually well understood that the Dominion Government agreed, in 1873, to pay to the Province, in aid of the work, a sum of \$250,000 in lieu of their guarantee of five per cent. per annum for ten years on £100,000, contained in the 12th Article of the Terms of Union; and that this Agreement was, when made, unfettered by any condition. Parliament subsequently ratified the arrangement by authorizing the Governor in Council to advance the money, from time to time, on certificates of progress of the work, as appears by Section 1 of 37 Victoria, Cap. 17, which reads as follows :—

"1. In lieu of the guarantee of interest at the rate of five per cent. per annum for ten years from the completion of the works, on such sum not exceeding one hundred thousand pounds sterling, as may be required for the construction of a first-class Graving Dock at Esquimalt, as provided by the terms of the Order of the Queen in Council for the admission of British Columbia into the Union, advances may be made from time to time by the Governor in Council, out of the Consolidated Revenue Fund, for the construction of such Graving Dock, upon certificates of the progress of the work,—such advances not to exceed in the whole two hundred and fifty thousand dollars."

"As the above sum was manifestly insufficient to complete the Dock, the Imperial authorities, at the instance of the Province, supplemented it with a grant of £50,000, payable on completion of the work."

"The Provincial Government thereupon made earnest preparations for the commencement and active prosecution of construction, and up to December, 1878, spent, as appears by the enclosed official account from their Audit Office, the large sum of \$162,948 in preliminary work and in the purchase of valuable plant and machinery, which now lies on the Dock site ready for use, besides incurring liabilities to the extent of \$46,049 more for contingencies, making a total of \$208,998 32. No part of this sum, it is almost needless to state, has been recouped to the Province."

"The Minute of the Privy Council proposes—1st. That advances to the extent of \$250,000 be made to British Columbia, from time to time, as the work progresses. 2ndly. That such advances be temporarily charged to an "Interim Account, to be called the British Columbia Graving Dock Account," and be finally debited to the Consolidated Revenue, should the Dock be finished within three years, and, if not, to the Debt Account of the Province; and 3rdly, That an immediate advance of \$100,000 be made to the Province on Dock account."

"Although the outlay and liabilities of the Province on this Account reached the large amount stated—viz., \$209,000—in December, 1878, the Provincial Government have never desired to apply any part of the \$250,000 in liquidation of such past expenditure. The contrary is the fact, as appears by the following extract taken from our Dock Specifications now deposited in the Ottawa Public Works Department:—

"The Government of the Dominion of Canada having agreed, by an Executive Minute issued under authority of Sec. 1 of 37 Vic., Cap. 17, of the Statutes of Canada, to contribute \$250,000 towards the construction of the Dock upon certificates of the progress of the work from time to time, the Contractor will (subject to the conditions of this Specification) be paid for all work fixed and completed in the following manner, viz.:—Upon certificates, as the work proceeds, of the Engineers or Resident Engineer, countersigned by, and stamped with the seal of office of the Chief Commissioner and certified by the Auditor, and presented to the Minister of Finance (British Columbia), who will endorse thereon, and stamp with the seal of his department, an order upon the Minister of Finance of Canada in favor of the Contractor, or his order, payable either at Victoria, B.C., or at such other place as may be agreed upon. Such orders will be issued at the rate of ninety dollars for every one hundred dollars' worth of the contract and extra works executed, until orders for the entire sum of \$250,000 shall have been issued. The balance (if any) of the contract price beyond this sum will be paid by the Government of British Columbia (subject to 42 Victoria, Cap. 29, Statutes of British Columbia), in payments at the same rate, on similar Engineers' certificates, as the work progresses. The remaining ten dollars will be paid six months after the date of completion and acceptance in writing by the Chief Commissioner of the whole works. Every certificate shall be subject to the conditions of the Specification and Contract until the completion and acceptance of the works as above mentioned."

"I may mention that the local Statute above alluded to is merely a directory Act regulating the departmental management of the revenue."

"From the foregoing extracts, you will perceive that the Finance Minister of Canada is invested with the control, subject to our agreement, of the payments of the Certificates of Progress, which, by section 58 of the same specifications, shall not be issued for less than \$10,000, ten per cent. whereof is to be retained until the contract is completed. By this precaution—purely voluntary on the part of the Province,—the proper appropriation of your grant is removed beyond hazard, and the good faith and earnestness of the Provincial Government at once made manifest."

"The Provincial Government do not, therefore, under the circumstances, require the advance of \$100,000 offered to them in your late Minute of Council. They simply desire to have the agreement made with them carried out in its integrity, and the \$250,000 paid as stipulated.

"The proposition to temporarily charge the advances made to an Interim or Suspense Account, and permanently debit the Province with their amount, in the event of the Dock not being finished in three years, is, I respectfully submit, not only needless in view of the above statement of facts, but is a new condition which the Provincial Government are unable to accept, as the Local Legislature, by Chap. 20, of the Acts of last Session, limited their authority to accepting your grant and constructing the Dock, 'in the event of the Government of the Dominion carrying into effect the provisions of '37 Vict., cap. 17, sec. 1, Statutes of Canada.' I quote the words of the Provincial Act as a matter of convenience.

"Again, the acceptance of the money upon such terms would be tantamount to pledging the Debt Account or Subsidy of the Province as security for the execution of the work, within the time mentioned,—which, by the way, is rather limited, though twenty-eight months is the period fixed in our specifications for completion of the Dock. Be this as it may, such a pledge for the period named, or for any longer period, cannot be given, as the Legislative Assembly condemned the practice of pledging or anticipating the revenues of the Province by a Resolution of the 25th of January, 1876. The following is a portion of the Resolution, as recorded in the British Columbia Journals:— 'This House is of opinion that in pledging the Annual Subsidies of the Province . . . thereby anticipating the stated revenues of the country, the Government have exceeded 'the powers granted to them, &c.' This expression of opinion by the House led to the defeat of the Government and a change of Ministry.

"It will doubtless be gratifying to you to learn the fact that the tenders for the construction of the Dock, recently received by my Department in Victoria, are such that the Provincial Government can have no hesitation in letting the contract, provided the Dominion Government carry out the agreement of 1873 by advancing the money on certificates of progress of the work, without requiring its repayment or charging any interest thereon. It has been urged in discussion that if the time limit of three years be extended (if necessary), and the figures tendered for the work be satisfactory, the proposed modification of the Minute of the Privy Council should be unnecessary, but I trust that I have made it abundantly clear,—

"In the first place, that the Provincial Government have not only no power to accept the new conditions offered, but are bound by Statute not to undertake the construction of the Dock except under the terms of the Agreement of 1873, and the Dominion Supplementary Act of 1874; and,

"In the second place, that the due and exclusive application of every dollar of the Dominion Grant of \$250,000 has been amply secured and guarded by the conditions embodied in our specifications.

"I have therefore to respectfully request you to advise the modification, as suggested, of the Minute of the 13th of November last, or the substitution of an Order of a similar form authorizing advances to the extent of \$250,000 to be made on certificates of progress of the work, in lieu of the 12th Article of our Terms of Union,—such advances to be charged permanently and exclusively to the Consolidated Revenue Fund of the Dominion, and without British Columbia being required to repay any portion thereof or to pay any interest thereon.

"As both Governments are deeply interested in the active prosecution and consequent success of the undertaking, I feel no hesitation in asking you to be good enough to give the matter your immediate attention, and to acquaint me with the decision of the Council as soon as possible. I am only awaiting a favourable reply to let the contract to the successful competitor for the work. As he resides within easy communication of this city, you will readily perceive the advantage that will ensue from the contract and bonds being agreed upon under my personal supervision.

"I have the honour to be,

"Sir,

"Your obedient servant,

"GEO. A. WALKEM,

"Attorney-General of British Columbia."

"To the Honourable the

"Minister of Finance, Ottawa.

The Minister of Finance promised to give this letter his earliest attention, and if possible procure a decision of the Council upon it by the following Monday (the 26th). I called upon him on that day and found that no decision had been come to, but that an extension of the time limit for completion of the work from three to four or five years, as formerly suggested, without any other change, could be given. This limited modification was of course too trifling to be acceptable, and after discussing this and other points, I left with the understanding that the subject would again be placed before the Council, and their decision communicated to me in three or four days. Owing to the Minister's subsequent absence from the city for the current week, I received no reply. After his return, I saw him on the 3rd, 4th and 5th of February, when it was arranged, at his instance, that we should jointly discuss the points of difference with Sir John A. Macdonald on Saturday, the 7th. A meeting was accordingly held, and the propositions in my letter fully examined and considered. Towards the close of the interview it was agreed that material alterations in the Dominion Order of the 13th of November would be drafted and offered to the Council for their concurrence. Though I called almost daily on the Minister, he was unable, as he assured me, to obtain any decision of the question until the 12th of February, when he succeeded in getting an Order of that date passed. Owing to the pressure of work on the Department, I failed to get a copy of the Order until the 15th. The following extract from the Order gives the new conditions agreed upon, and places, as I respectfully think, the final completion of the Dock beyond doubt:—

"Firstly,"—Mr. Walkem "having stated that the plans and specifications of the Dock prepared by Messrs. Kinipple & Morris, of London, England, have been left for inspection with the Department of Public Works, and are those upon which tenders have been invited, the undersigned recommends that advances be made to the Province as the work progresses to an extent not to exceed in the whole the sum of \$250,000, such advances not to include the value of any material or plant already obtained by the Provincial Government for the purposes of the Graving Dock.

"Secondly,"—That such advances be made on the Certificates of the Engineer of the Provincial Government, countersigned by the Agent of the Dominion in British Columbia.

"Thirdly,"—That in case the Government of British Columbia should fail from any cause to proceed actively with the construction of the work for a period of three months after the receipt of a written request from the Dominion Government to prosecute the same, then that the latter shall have the right to enter upon and take possession of the works and premises and complete the same.

"Fourthly,"—That in case of such entry the Canadian Government shall be entitled to claim and receive from the Imperial Government the promised grant in aid of £50,000 stg., or any increase of such grant. It is understood that if any balance of such grant should remain unexpended after defraying the outlay made by the Dominion Government, in consequence of the failure as aforesaid of the Province, such balance shall be paid to said Province, while, on the other hand, if said grant in aid should prove insufficient to complete the works, the amount of the deficiency shall be placed to the debit of the debt account of the Province. It is further understood that the right of property in the Dock shall, subject to the temporary right of possession as before mentioned, remain in the Government of British Columbia.

"Fifthly,"—That the Imperial Government shall be made a party to this arrangement, and its approval obtained.

"Sixthly,"—That the sanction of the Legislature of British Columbia be also obtained to this agreement.

"Seventhly,"—That, subject to the foregoing conditions, the advances so made of \$250,000 shall not bear interest, and shall be considered as a grant of money in lieu of the 12th Article of the Terms of Union between Canada and British Columbia."

The 5th condition—requiring the consent of the Imperial Government to the agreement—was inserted by the Privy Council, not because of there being any doubt about the payment of England's contribution of £50,000, but because it was deemed advisable to at once secure her concurrence to the stipulation that Canada should be entitled to receive the money as provided, if obliged to assume the responsibility of completing the Dock. The facts stated further on relative to the negotiations between Sir John A. Macdonald and the Secretary of State for the Colonies for further aid to the work will show that such was the case.

At intervals prior to this I had acquainted myself, by enquiries made in various quarters, with the standing, character and credit of the several Canadian bidders for the Dock work, as well as of the sureties whom they had offered. I had also ascertained by communicating with the Dock Engineers, in London, that no tenders had been received in England, and had therefore arranged with the lowest bidder, Mr. McNamee, to meet me as soon as possible after his return from Port Colborne, whither he was going when I saw him. He consequently called on me on the 19th, and was fully informed of the above decision, and of some objections I had to the sureties named in his tender. He asked for time to enable him to see some members of the Government about the matter, and to furnish me with new sureties. Next morning he agreed to sign a contract based on the conditions named by the Government, and gave me a list of ten or twelve names, from which I eventually selected the present sureties, after first ascertaining in Montreal that they were responsible men, and of good business standing. As the members of Mr. McNamee's firm and the sureties were absent at the time in different parts of Ontario and Quebec, it was arranged, at his request, and as most convenient to all parties, that all should meet at Montreal at the earliest date possible—which he fixed as the 24th—for the purpose of finally settling the details relating to the contract. I at once prepared the necessary papers, and, at the time and place mentioned, had the contract and bonds executed, and a deposit of \$10,000 paid in to the credit of the Provincial Government.

At one of my interviews with Sir John A. Macdonald, he informed me that, while in London, he had prominently brought the subject of further Imperial aid to the Dock being possibly required before Sir Michael Hicks-Beach and had advocated an increase of £20,000 to the £50,000 grant, and payment of the whole contribution (as requested in my telegram of the 19th August, 1879) as the work progressed, instead of waiting for its completion; and that the Secretary of State observed that he was against payments on account, but was of opinion that any application for an increase to the £50,000, based on reasonable grounds, and made after completion of the work, would be favourably considered as the Imperial Government wished to see the Dock built, and would not likely object to give further assistance if shown to be necessary.

CANADIAN PACIFIC RAILWAY.

Esquimalt-Nanaimo Section.

As the construction of this section of the Railway was one of the subjects referred to in the Order of Your Honour in Council of the 27th December, it was naturally alluded to from time to time by members of the Government when conversing with me on British Columbia railway matters. I, however, refrained, for the reasons already assigned, from entangling or embarrassing its consideration with unsettled questions regarding the Mainland Railway contracts or the Dock Subsidy. Immediately, however, after these questions had been disposed of, I arranged and had a meeting with Senator Macdonald and Messrs. DeCosmos, Bunster and Thompson, for the purpose of deciding upon the best means to secure the construction of the work. After considerable discussion, it was unanimously agreed that all present should, as a deputation, wait upon the Premier and press the claims of the Province in this respect upon him. I accordingly wrote the following note to him, and received the following reply:—

“OTTAWA, Feb. 14th, 1880.

“*The Right Honourable Sir John A. Macdonald:*

“SIR,—In conjunction with some of the Members from British Columbia, I am desirous to have a conference with you respecting Railway matters affecting the Province. Will you be good enough to name a time and place which will be convenient to you for meeting us.

“I have, etc.,
(Signed) “GEO. A. WALKEM.”

“OTTAWA, Feb. 16th, 1880.

“*The Hon. G. A. Walkem:*

“DEAR SIR,—I shall be very glad to see you and the other gentlemen at my house to-morrow, Tuesday, at 11 o'clock, a.m.

“Yours, very truly,
(Signed) “JOHN A. MACDONALD.”

Accordingly, a meeting was held, which lasted some time. While credit was given to the Government for placing 127 miles of the Mainland portion of the line under contract, and active prosecution of the work advocated, the members of the deputation forcibly represented the loss and injury which would be inflicted on the Southern portion of the Province by longer delaying construction of the Esquimalt-Nanaimo section. I feel that I would be doing injustice to the subject, as well as to the members of the deputation, were I to attempt a recital at any length of their various arguments against further delay of the work. In supporting their views, all the main points of the official correspondence were referred to. The offer of the Dominion Government in 1874 to construct the work as a "portion of the Railway," and their solemn engagement made with England and the Province in January, 1875, to commence it "as soon as possible," and complete it "with all practicable dispatch," were specially dwelt upon. English public opinion, as expressed in leading journals, was quoted; figures showing the advantages of the line (if constructed,) were produced; much stress was laid on the facts that the surveys had been made, that valuable lands on the Island had, as far back as 1875, been ceded by Statute to the Dominion, at its special request, and solely for Canadian Pacific Railway purposes; that up to the present moment these lands had been retained, and the policy of retaining them in aid of the same Railway been re-affirmed by the present Dominion Government. A well-drawn document on the same subject from the Victoria Chamber of Commerce was also referred to, and I can safely state that no favourable circumstance or argument which an intimate knowledge of the case could suggest, was omitted on the occasion. The Minister replied, in substance, that he and his colleagues had undertaken as much Railway work in the Province as they felt they could safely carry through, and that he could not, therefore, pledge his Government to do more at present. His attention was thereupon called to the fact that the expense of the work would be comparatively trifling, as its actual cost to the Dominion for years to come would merely be interest on the construction outlay, which would necessarily be gradual; that under all the circumstances of the case, the commencement and active prosecution of work were obligations which should have been fulfilled, and should therefore be carried out now. The Minister then remarked that the whole subject had been well considered before the contracts for the Mainland work had been let, and that the views of the Government were that all had been done that could be done at present. After some further observations of the same character as the above, the deputation withdrew.

Mainland Sections.

As a matter of information obtained from the Department of the Minister of Railways, I may add that the contracts let for the Mainland Section are as follows:—

Sub-Section A, Emory's Bar to Boston Bar, 29 miles, to be completed 1st December, 1883.....	\$2,727,300 00
Sub-Section B, Boston Bar to Lytton, 29½ miles, to be completed 30th June, 1884.....	2,573,640 00
Sub-Section C, Lytton to Junction Flat, 29 miles, to be completed 31st December, 1884.....	2,056,950 00
Sub-Section D, Junction Flat to Savona, 40½ miles, to be completed 30th June, 1885.....	1,809,150 00
Total.....	\$9,167,040 00

A deposit of five per cent. on this amount has been lodged in cash with the Receiver-General, and the contracts, excepting an interest in that for Sub-Section B, transferred to A. Onderdonk, Esq., a gentleman who has an excellent reputation in California as an Engineer and Contractor. He represents the following wealthy gentlemen who are partners with him in the contract, viz.: D. O. Mills, Esq., Banker of San Francisco, S. G. Reid, Esq., of Oregon, H. B. Laidlaw, Esq., Banker of New York, and L. P. Morton, Esq., Banker of New York, (a member of the banking firms of Morton, Bliss & Co., and Morton, Rose & Co., of New York and London respectively). The manifest advantages of dealing with one firm of unquestionable means and ability, instead of with three or four firms, in the construction of the work, influenced the Government, as I learned, to consent to the transfer of the contracts mentioned. I should not omit to state that

shortly after my arrival in Ottawa I was informed by one of the Ministers that a despatch (9th January, 1880,) had been forwarded to Your Honour requesting that the Mainland Railway lands should be transferred this Session by an Act of our Legislature. In reply to a question as to whether it would be done, I assured him that the policy of the Government was to give every assistance to the Railway, and that I had no doubt the legislation referred to would be introduced by the Government as requested. I was also assured by the Engineer-in-Chief, that engineering parties would at once be organized and sent to the Province to prepare the work for the contractor. Four parties are now on their way hither, and I have received a telegram from Mr. Onderdonk that he will also reach the Province in a few days.

CHINESE IMMIGRATION.

At the first interview I had with the Premier, after reaching Ottawa, I brought this question before him, and referred to the Order in Council which the Provincial Government had lately forwarded to his Government requesting that a clause, similar to that inserted in our Dock contract, should be inserted in the Railway contracts, to the effect that the employment of Chinese should not be allowed. He stated that the insertion of such a clause could not be successfully defended in Parliament; that the country was straining every nerve to complete a gigantic undertaking, and the Government could not adopt the unusual course of dictating to contractors how their work should be done so long as it was well done, or attempt to restrict them in the use of labour of any kind; that a restriction upon the use of machinery might as reasonably be expected to meet with approval. I placed before him as strongly as possible the several well-known arguments and reasons usually advanced against the allowance of unrestricted immigration of such a character. I also referred to the resolutions adopted by the House on the subject, and pointed out the action taken by older communities in Australia and California, and by Congress in the United States, against the settlement of Chinese in their midst. He replied that the subject was national in character, as it affected Imperial interests, and therefore required Imperial sanction or action; that, in addition to this, public sentiment on the Eastern side of the Continent was at present strongly opposed to restrictive measures against Chinese. I produced and discussed with him two Bills on the subject passed by Queensland, and allowed by the Colonial Office, and left copies of them for his consideration. At a subsequent interview he stated that he had carefully thought over these measures and had considered the reasons advanced in favour of either adopting them or some other measures having similar objects; but that it was his conviction that the legislation proposed would, under the circumstances he had mentioned, be strongly opposed. I may add that, in conversing with several members of the Dominion Parliament at a later date, I found them more or less acquainted with the subject, but in every instance antagonistic to the principles of the legislation asked for.

As it would appear advisable to lay all the papers relating to these subjects before the House of Assembly as soon as possible, I shall take the liberty of closing this report for the present, and supplementing it with another upon what was done with respect to Indian Affairs, the Administration of Justice, the Cariboo Trunk Road Tolls, and other matters mentioned in Your Honour's Order in Council of the 27th of December last.

I have the honour to be,

Sir,

Your obedient, humble servant,

GEO. A. WALKEM,

Attorney-General.