

TO THE SHAREHOLDERS
OF THE
Toronto, Grey & Bruce Railway Company

GENTLEMEN,—

On the 28th of May I addressed a circular to you on the subject of the proposed lease of your Railway to the Grand Trunk Railway Company, and the offer of the Northern & Hamilton & North-Western Railways, both of which proposals are to be submitted to you, at a meeting called to consider them, on the 28th inst.

On the 3rd inst., certain Directors of the Company addressed you by circular, in opposition to my views, and they have referred to me in such terms, and made such extraordinary statements, that I am compelled to answer them.

I propose, in the first place, to refer to the personal paragraph of the Directors' circular. It was quite unnecessary to inform the general public that I am Customs Agent of the Great Western Railway, and also of the Northern Railway, nor has this any bearing whatever on the case in question. I was for years a creditor of the T. G. & B. R'y, for a large sum, and am now perhaps the heaviest individual bond and shareholder of the Company, and it would be more reasonable to attribute my action to this fact, than to the reasons assigned by the Directors, which have no influence with me whatever.

Were I disposed to retaliate in the same style of argument, I might ask whether Mr. Worts and his followers have not some other interest to serve, quite apart from what is to your benefit; and I am led to the conclusion that they have, from the fact of their persisting in advocating this Grand Trunk Railway agreement, in the face of an offer so manifestly superior.

I am accused of mistating the facts in reference to the negotiations with the Grand Trunk Railway during the winter, but this I emphatically deny, and can disprove, as I propose to show you. The offer upon which the Grand Trunk Railway agreement was founded came from that Company in April. The Directors say that it was made by the T. G. & B. R. Board in January. My reply is that in January, in a letter to Mr. Hickson, the Grand Trunk Railway was informed that as the municipalities had failed to vote the bonuses on which the previous agreement was based, that agreement was at an end, and that the T. G. & B. R. Board intended to proceed with and complete the reconstruction and improvements of the line themselves, before negotiating further with any Company, and they did so proceed with the work, which is now in progress. In April, when the new Grand Trunk Railway proposal came before the Board, I expressed the surprise I felt that the understanding so distinctly come to had been violated, and this new proposal sprung upon us, and carried so far, without my knowledge, and without allowing me an opportunity of proving what I had so often declared to be my belief, that much better terms could be made with another Company, if it was finally determined to lease or part with the control of the line. I then presented the offer from the Northern & Hamilton & North-Western Railways, but it was treated in a most contemptuous manner, and scarcely received any consideration. It thus became apparent that the majority of the Board were determined to consummate their unfair bargain, in spite of every remonstrance, and I had to appeal to the Court of Chancery to restrain them, and an injunction was granted by that Court.

These Directors further allege that they adopted the Grand Trunk agreement and rejected the Northern & Hamilton & North-Western, because an agreement with the latter Company could not be made without the sanction of the Government, and they say they were told on the best authority that such sanction would not be given. These are entirely gratuitous and unwarranted assumptions, and these gentlemen failed entirely in their duty to you, and to the bondholders, when they set up such difficulties in the way of a proposal which was so evidently for your benefit. Were the Board willing to make the arrangement with the Northern & Hamilton & North-Western Companies, there would be no difficulty in doing so. Experience has shown that the Government are just and generous in their treatment of railway companies in difficulties; and those people who have invested their money, I have reason to believe, would not be deterred unnecessarily from making arrangements beneficial to themselves, and which affect no one else.

1. They say the policy of the Northern & Hamilton & North-Western Railways would be to divert traffic to their own lines from the T. G. & B. R., and that the offer of representation on the Board of management would not prevent this. To this I reply, there would be no reason to adopt such a course, and if there were, it could not be done, as effectual barriers would be inserted in the agreement to prevent it. But let us see how it would be with the Grand Trunk Railway. No provision is made for the T. G. & B. R. to have a voice in the management, and they would have nothing to say as to rates, nor practically as to the division of them. The chance, therefore, of the gross receipts ever exceeding the amount required to produce the minimum guarantee is very remote.

2. They are bold enough to assert that although apparently offering a larger percentage and a higher minimum rental by \$20,000 per annum, the net receipts from the Northern & Hamilton & North-Western Railways would not be higher than from the Grand Trunk, and this because the following items would not be payable under the Grand Trunk agreement, but would be under the other arrangement:—

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| (a) To be paid to the Grand Trunk Railway as rent for right of way between Weston and Toronto, as agreed..... | \$4,000 00 |
| (b) Toll to be paid by the Grand Trunk Railway for the use of your line as a double track between Weston and Queen Street, as agreed | 5,000 00 |
| (c) Tolls to be derived for the use of Queen's Wharf and Elevator, as agreed | 3,000 00 |
| (d) Twenty-five per cent. of estimated traffic from the Wingham Branch, which Mr. Hendrie objects to build, but which the Grand Trunk Railway will construct without any money from the Toronto, Grey & Bruce Railway..... | 6,000 00 |
| (e) Interest on bonuses lost to this Company if the line is not worked by Grand Trunk Railway | 1,500 00 |
| (f) Interest on value of bonds to be issued at (say) par, instead of five per cent. premium..... | 2,500 00 |

The calculations made by these gentlemen are truly astonishing:—

(a) is an amount to be paid to the Grand Trunk Railway Co.

(b) is an amount to be paid by the Grand Trunk Railway Co. And yet both are not to be payable under the Grand Trunk agreement, but are to be payable under the Northern. It also appears to have escaped their memory that the Northern has a track from Weston to Toronto, and equal facilities with the Grand Trunk for doing the business of the T. G. & B. Ry. Co.

(c) This is an item of detail, which can easily be provided for in the Northern & Hamilton & North-Western Railway agreement, and these gentlemen have no ground for assuming that such a payment would be refused.

(d) The Grand Trunk Co. has not agreed to build the Wingham Branch, and I only objected to its being built by the T. G. & B. Ry., there being no money available for such a purpose. The amount voted by the municipalities to construct this Branch, would pay about a quarter of its cost. The estimate of \$6,000 to come from that quarter, as profit from traffic from a town the size of Wingham, with the G. W. Ry. already established there, exists only in the imagination of these gentlemen, and will never be verified.

(e) The bonuses for which interest is here claimed, are so burdened with conditions, which will cost as much more than the amount realized from them to fulfil, that even with the Grand Trunk agreement it would be better in the Company's interest not to use them.

(f) This is the most marvellous of all the calculations yet, and means that under the Grand Trunk agreement, the new issue of bonds will sell at 5 per cent. premium, and only at par under the other arrangement. I venture to say, that under an agreement with the Northern & North-Western, the bonds of the T. G. & B. Ry. would sell certainly as well, probably better, than under a lease to the Grand Trunk. At the present moment the Northern Ry. 5 per cent. bonds are quoted in London at 105, and the Hamilton & North-Western at 114, and the T. G. & B. Ry., both new and old issue would take precedence of these securities, and therefore be more valuable.

The whole six items have been manufactured for this occasion and amount to nothing.

3. The superiority of the Grand Trunk connections is now put forward, but they are not named. The following, however, are or will be the connections secured by the N. & H. & N. W. Rys., viz. —

The Grand Trunk itself.
The Great Western.
The Canada Southern.
The Ontario & Quebec.

Consider how much more valuable to the country, as well as to the owners of the line, it will be to have the opportunity of making rates with all these lines to the seaboard and the west, than to be under the control exclusively of the Grand Trunk, and compelled to accept such terms as to rates and fares as they choose to impose.

4. This objection is very general, and is disposed of in clause 1.

5. The assertion here made that the Grand Trunk guarantee is good, but the N. & N. W. Rys is doubtful; it is singular, to say the least of it, to find Mr. Woods, who is familiar with the history of Canadian railways, endorsing this statement, as he ~~must~~ know well that the past history of the Northern bears a very favorable comparison with that of the Grand Trunk, and he ~~ought~~ to know the present value of the securities of the two Companies before hazarding such an assertion. It does not become these gentlemen to make this silly attempt to ~~deceit~~ decri the credit of great public companies, for the sake of some special advantage to themselves, and to bolster up a weak case.

The next attack is on my statement that the Railway would be better worked in the interests of the shareholders as an independent line than under the Grand Trunk agreement. To this I still adhere, but as the large majority of the proprietors are desirous of leasing their line, it is to all our interests that we should obtain the most we can for it.

With respect to the \$200,000 of the paid-up stock, which it is proposed to give the Grand Trunk, there is no mention of this, nor any provision made for it in the first Grand Trunk agreement, and it is evidently an after-thought of the Grand Trunk Company, so that they may be in a position to control the shareholders' vote. The valuable property alluded to has been or is in process of being paid for in cash to the Grand Trunk Company, and if this Grand Trunk arrangement falls through, the stock remains the property of the Company.

Finally, these gentlemen appeal to you as large land and shareholders, and as merchants and business men of Toronto, and they are as follows:—

J. G. Woods,
JOHN LEYS,
Geo. GOOSBURN,
W. H. BERRY,
ARTHUR E. LEE.

These gentlemen have close family and business relations, being a veritable family compact, and they have voted as one man in all matters between them and myself. It appears proper for me at this time to call attention to the combination, and it may "strike the shareholders of the T. G. & B. R. that ~~the~~ interest in our railway is not entirely disinterested." At all events, if it should happen that an ulterior object had to be served by these gentlemen, the majority of the Board would be well adapted to the purpose.

Mr. Mackay's name is associated with these gentlemen, and as a merchant interested in maintaining the trade of Toronto, all I can say is, I cannot understand how it should be. Mr. Gibson, of Worcester, is a small shareholder; Mr. Farley and Mr. Middleton, being ~~ex-officio~~ members, have no personal stake in the Company, and cannot therefore be expected to care for your interests; and as Mr. Ramsay, the Vice-President of the Company agrees with me his name is absent from the circular.

In the event of your approving the course I have taken, and of your being unable to attend the next meeting of shareholders called for 28th June next, to reject the proposed agreement with the Grand Trunk Railway Company, and accept that of the N. & H. & N. W. Ry's Co.'s, will you kindly sign and return the enclosed proxy, enabling Mr. E. B. Osler, of Toronto, or myself, to act for you.

Yours respectfully,

WILLIAM HENDRIE,

DIRECTOR.

Hamilton, 9th June, 1881.

