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# Getting Your Way in Nova Scotia: “Tweaking” Halifax, 1909 - 1917

In Canada the road to riches has often been paved with corporate mergers. Max Aitken, for instance, made his fortune that way before the First World War and retired to England to play at politics. He was not alone. The years after 1909 saw a vast increase in the number of mergers and amalgamations, and those who reaped the largest rewards were a breed of company promoter new to the Canadian scene.<sup>1</sup> Not necessarily possessing large personal fortunes, these men learned how to exert maximum leverage with borrowed funds, how to make real money stick to their fingertips while reams of gilt-edged paper passed through their hands. Their success depended less upon traditional business values like prudence, efficiency and hard work than upon glib speech and deft manipulation. Any proposition which could turn a good profit appealed to them, but a select group of Canadians specialized in electrical utility promotions: William Mackenzie, James Ross, Rodolphe Forget, B. F. Pearson and E. A. Robert. They found attractive opportunities aplenty. By 1900 almost every sizable city in eastern Canada had an electrified street railway earning a solid profit. The power was generated by steam plants, but these astute entrepreneurs recognized hydroelectricity as the wave of the future for lighting and industrial purposes. Although costly to develop, hydro was markedly cheaper to produce than thermal power. These men reasoned that the acquisition of a waterpower site and its integration with a street railway could be a money-spinner. The railway would absorb a large base load

1 Between 1909 and 1912 there were 58 corporate mergers in Canada capitalized at \$484,000,000; see H. G. Stapells, “The Recent Consolidation Movement in Canadian Industry” (unpublished M.A. thesis, University of Toronto, 1922), pp. 12-13, 18-34. Aitken’s biographer explains that he profited from mergers in three ways: by acquiring an interest in the constituent companies and selling out to the conglomerate, from commissions on the sale of the bonds and preferred shares, and by keeping about one-third of the new common stock for himself; see A. J. P. Taylor, *Beaverbrook* (London, 1972), p. 33.

making the hydro development viable, while the reduced operating costs would mean even larger profits upon which to float securities. By adept management a man could find himself in control of a vast utilities monopoly while others provided the funds to develop it; he need put up very little of his own money.

Naturally, there were obstacles to such a financial coup. The owners of a street railway might resent being ousted, particularly if the company had been formed by local businessmen who had risked funds during the early unprofitable years and did not wish to see their due reward siphoned off by others. Secondly, there was the danger of competition: a rate war between electricity producers might be mutually destructive. Even more dangerous, a contest for control in one locality might alert civic authorities to the value of the franchises under which these companies operated secure from rivalry. Not only might this produce demands for lower rates and better service, but even the suggestion that municipal ownership alone could guarantee the citizens the benefits of new hydroelectric technology. Thus the promoter had not only to eliminate competitors by treaty or by conquest, he had also to become expert at handling politicians. Ideally, he must convince municipal officials of the value of his plans and win their support, but if he failed to do so he must be prepared to call upon a higher level of government to override local protests.

Halifax was one Canadian city in which a classic utilities promotion scheme was carried out between 1909 and 1917, almost a case study of how private interests could get their own way over all objections. Edmund Arthur Robert was a forty-five year old company promoter from Montreal, already preparing a takeover bid for the street railway in his home city when he first heard of the possibilities in the Nova Scotia capital.<sup>2</sup> He was attracted immediately. For one thing his informant was Sir Frederick Borden, Minister of Militia and Defence in the Laurier administration and an important Liberal in a province ruled continuously by that party since 1884. In any dealings with the government of Premier George Murray, Borden would obviously be very useful, and he was eager to join in a syndicate aiming at an electrical monopoly in the Halifax region. In business Borden was, frankly, a failure, nagged by the knowledge that all his power and influence had not brought him wealth. How he yearned for the baronial life of one of those fake chateaux overlooking the smoky sprawl of a great Canadian city like William Mackenzie's "Benvenuto" in Toronto. But he lacked the promotional skill, the access to capital, the reputation for success of a man like Robert. Here at last, perhaps, was

2 E. A. Robert incorporated the Montreal Tramways Company in 1911 to amalgamate the existing street railways.

Borden's chance to strike it rich, and on a visit to England he drew Robert aside and unfolded his proposition.<sup>3</sup>

For some time Borden had been interested in the potential of the Gaspereau River near his home in Canning, N.S., some fifty-five miles northwest of Halifax. By 1909 he had decided to put forward a bill to charter the Nova Scotia Power and Pulp Company to exploit the timber resources of the Gaspereau valley and to develop and distribute hydroelectricity. The act of incorporation was to include the broadest possible powers for the company. Robert agreed that once the charter passed he would pay \$100,000 in cash for a share in the undertaking; Borden's job was to use his political influence in the company's interest for which he would receive \$250,000 worth of its common stock.<sup>4</sup> The bill, which was shepherded through the provincial legislature by Liberal M.L.A. H. H. Wickwire gave Nova Scotia Power and Pulp the right to do "nearly everything under the sun."<sup>5</sup> Included was the authority to enter any municipality for the purpose of stringing wires and erecting poles even without the consent of local authorities. This, of course, was the tool which might enable the company to crack the Halifax market despite any resistance from the city. The provision did not go unnoticed; both City Solicitor F. H. Bell and F. W. W. Doane, City Engineer and Secretary-Treasurer of the Union of Nova Scotia Municipalities, appeared before the Private Bills Committee to protest against this violation of municipal rights. They suggested all disputes between local governments and utilities should be arbitrated by the newly-created Board of Public Utilities Commissioners. Skilful backpedalling saved the day for the company; the promoters claimed they were already negotiating with some towns in the Gaspereau valley, and that the P.U.C.'s interference would adversely affect them. They offered to confine the operations of the company to that area alone in return for exemption from the P.U.C.'s control. There was, after all, nothing to prevent them returning to the legislature at a later date to have this restriction lifted.<sup>6</sup>

Once the act of incorporation was signed into law E. A. Robert, in association with another Montreal company promoter, J. W. McConnell, carried out his part of the deal, paying over \$100,000 in cash for the company's

3 Borden's papers chronicle his many unsuccessful business ventures; on his attitude towards successful entrepreneurs see, in particular, the correspondence with Henry Mill Pellatt. Borden's son-in-law, L. S. Maccoun, also tried to interest some German investors in the Gaspereau properties without success; see E. A. Robert to Borden, 10 February 1909 and reply, 11 February 1909, Sir Frederick Borden Papers, Box 171, Provincial Archives of Nova Scotia [hereafter PANS].

4 W. G. A. Lambe to Borden, 5 May 1909, Borden Papers, Box 171, PANS.

5 Borden to Wickwire, 26 February 1909 and reply, 3 March 1909, Borden Papers, Box 171, PANS; *Herald* (Halifax), 24 March 1911.

6 Nova Scotia, *Statutes*, 1909, c. 167; *Herald*, 1 April 1911.

water rights and \$250,000 in securities for the lands and timber it controlled.<sup>7</sup> The next task which faced the syndicate was more demanding: to secure control of the street railway in Halifax. Not only would the Halifax Electric Tramway Company absorb up to 5,000 horsepower of electricity from the Gaspereau development, but that company's 1908 earnings of \$190,000, together with the \$460,000 in its surplus account, would then be available to pay the dividends and interest upon the large amounts of new stocks and bonds which Robert and McConnell planned to float.<sup>8</sup> The ideal arrangement would have been to persuade the shareholders of the Halifax Electric Tramway to exchange their securities for shares in Nova Scotia Power and Pulp. The difficulty was that the latter company was not permitted to own stock in other undertakings, nor could it exercise the tramway's franchise rights to use the streets of Halifax. For this reason the syndicate decided to make a further application to the Nova Scotia legislature in 1911. They would request that the restrictions on the company's right to own the shares and franchises of other concerns be removed, along with the confinement of its operations to the Gaspereau valley imposed in 1909. The name would be changed to the Nova Scotia Power Company (since the Montrealers had no interest in its lumbering operation), and the authorized capital stock increased from \$6,000,000 to \$10,000,000, providing an ample supply of securities to be used in a stock swap with Halifax Electric Tramway shareholders.<sup>9</sup>

Once again, H. H. Wickwire undertook to put the private bill through the House with the help of lawyer W. E. Roscoe. The task was made more difficult by the rumours which soon began to circulate. The Halifax *Herald*, a strong proponent of municipal ownership, warned that the company was "making its way towards Halifax from the Gaspereau." There was such strenuous criticism of a sweeping clause to permit the company "to exercise the franchises and charter rights of any corporation having like powers to those of the company," that Wickwire was forced to withdraw it with the lame excuse that it had been included only through a printer's error.<sup>10</sup> More serious was the Legislative Council's refusal to lift the geographical restriction to the Gaspereau area unless the company placed itself under the jurisdiction of the P.U.C. But the promoters fought back. Fred Borden proved his worth to the syndicate with several strongly-worded telegrams to Premier Murray

7 W. G. A. Lambe to Borden, 30 September 1910, Borden Papers, Box 174, PANS.

8 Robert to Borden, 23 January 1911, Borden Papers, Box 175, PANS; profit figures are given in *Railway and Marine World* (May, 1909), p. 363.

9 Arthur Adams to Borden, 2 February 1911, Borden Papers, Box 175, PANS; Nova Scotia, *Statutes*, 1911, c. 147.

10 W. E. Roscoe to Borden, 6 February 1911 and reply, 13 February 1911, Borden Papers, Box 175, PANS; Roscoe to Borden, 1 April 1911, Borden Papers, Box 176, PANS; *Herald*, 24, 29 March 1911.

urging the rejection of the Legislative Council's amendments to the charter. Although the bill was a "private" one, the Liberal whips were put on and it passed by a vote of 20 to 5, just one Grit joining the four Tories in opposition. Roscoe expressed relief to Borden at being "able to pull through so well in the Power [Company charter] amendment. The whole thing was very dangerous and I found needed most thorough and continuous attention . . . . Your telegram certainly was very helpful. It enabled us to get the best men for the final attack with a display of will and energy that we probably could not have secured otherwise."<sup>11</sup>

Just when things seemed to be going forward as planned, however, Robert and his associates became aware of a new obstacle, a formidable group of rivals equally determined to establish an electrical monopoly in Halifax. Company promoter John R. Macleod and industrialist Frank Stanfield had become interested in the potential of the Mersey River near Liverpool, N.S. In 1910 they chartered the Nova Scotia Hydraulic Company with powers almost as broad as their competitors.<sup>12</sup> Together with stockbroker F. B. McCurdy and lawyer-entrepreneur B. F. Pearson (who controlled the Halifax *Morning Chronicle* and the afternoon *Daily Echo*) they also began to acquire shares in the Halifax Electric Tramway Company. They considered the policies of the current management of the street railway sadly stick-in-the-muddish:

It is . . . known that the company has never made any endeavour to secure contracts for power, and has never pressed or endeavoured to increase its sale of electrical energy, either in the form of light or power, for the reason that the plant is now up to its capacity. It is known that the dilatory action of the Tramway in exploiting the sale of power has kept the sale very much below the demand that can be created therefor. The Tramway service can be enlarged as well as the lighting service. The lack of power of the most economical kind for the use of local industries is apparent.<sup>13</sup>

Pearson, himself a member of the street railway's board since its foundation in 1895, was convinced that there was a market for 10,000 horsepower of electricity in Halifax, twice present consumption. He hoped that the other

11 Nova Scotia, House of Assembly, *Debates* [hereafter NS, Assembly, *Debates*], 28 March 1911; *Herald*, 29 March, 1 April 1911; Borden to G. H. Murray, 26, 27, 30 March 1911, Borden Papers, Box 175, PANS; Borden to W. E. Roscoe, 5 April 1911 and reply, 8 April 1911, Borden Papers, Box 176, PANS.

12 Memorandum re merger, undated, Nova Scotia Power Company File, PANS.

13 Draft letter from F. B. McCurdy (?) to prospective stock purchaser, undated, Nova Scotia Power Company File, PANS.

15,000 horsepower generated by the Mersey could be used to produce pulp and paper at Liverpool.<sup>14</sup>

Thus by the spring of 1911 “the race for Halifax began.”<sup>15</sup> The price of Halifax Electric Tramway Company shares advanced as the two syndicates bid for them, but most stockholders, mainly local citizens, appeared content to hold onto their interest in the solidly profitable operation. Neither Robert nor the Macleod-McCurdy-Pearson group were able to secure a controlling interest. The unwelcome interest focussed upon street railway affairs by the debate in the legislature over the amendments to the Nova Scotia Power Company’s charter helped to convince both syndicates that continued rivalry might imperil the planned coup. Macleod and his friends recognized that the power potential of the Mersey was so much greater than the demand for electricity in Halifax that the Gaspereau development was more suitable. Within a few days of the passage of the Nova Scotia Power Company’s charter amendments a tentative agreement upon a merger had been reached.<sup>16</sup> Yet relations between the two groups remained cool and suspicious, each apparently fearful that the other might try and oust it. Here again Borden’s influence proved critical; Premier Murray and federal Finance Minister W. S. Fielding were persuaded to call the parties together and order them to make a final peace. They did so, and in return for this help the syndicate agreed to help the minister in his campaign for re-election.<sup>17</sup>

It was well that the peace was made, for the board of the Halifax Electric Tramway Company belatedly began to organize a resistance. On 12 January 1912 Senator David MacKeen, the president, solicited proxies from all shareholders giving him authority to fight off the takeover bid.<sup>18</sup> At the same time the directors commenced negotiations with the city of Halifax for the renewal of the company’s exclusive twenty-one year franchise to operate a street railway, due to expire in 1916. By mid-February agreement had been reached upon another twenty-one year term. In return for the extension the company would continue to pay the city 4% of its gross railway revenues plus 2% of its lighting and gas receipts. Dividends on Tramway shares would be limited to 8% per annum, excess profits being divided equally between city and company once a reserve of \$60,000 had been set aside for renewals, replacements and extensions. The company undertook not to issue any further securities beyond the presently authorized \$600,000 in bonds and \$1,500,000 in common

14 *Herald*, 16 December 1911.

15 Memorandum re merger of 1911, undated, Nova Scotia Power Company File, PANS.

16 Memorandum of agreement between John R. Macleod, Frank Stanfield, B. F. Pearson, F. B. McCurdy, E. A. Robert, 1 April 1911, Nova Scotia Power Company File, PANS; Robert to Borden, 30 May 1911, Borden Papers, Box 176, PANS.

17 Arthur Adams to Borden, 19 August 1911, Borden Papers, Box 178, PANS.

18 Speech of R. E. Finn, NS, Assembly, *Debates*, 1 May 1914.

stock, nor to sell or lease its properties or permit its shares to be held by any other utilities corporation. Any contract made for the purchase of electric current from an outside supplier would be subject to approval by the city.<sup>19</sup> These were exacting terms but mutually satisfactory: they effectively stymied the takeover and left the present management in control of the street railway. Robert, Macleod and their associates, who by now held 38% of the Tramway's stock, were infuriated by this arrangement. In an open letter to the shareholders, they protested bitterly that the board had no right to enter into such an agreement without the approval of the stockholders. Only five of the nine directors, it was pointed out, had voted for the agreement, and those five men held just 504 of the 14,000 outstanding shares. Although profits and dividends were to be permanently limited, the matter had not even been discussed at the annual meeting in February. "The income and property of the Company are to be diverted and taken out of the hands of the shareholders, who are the real owners of the property," the letter ran, arguing that limiting dividends was simply "robbing them of their rightful participation in the Company's prosperity." Worst of all, it was noted, the City Solicitor had recently given his opinion that the Tramway Company already possessed a perpetual franchise to use the city's streets under its 1895 charter. While this right might not be exclusive after 1916, the company had laid tracks on all the main thoroughfares, rendering competition from another street railway a practical impossibility. Why now, of all times, should the company make concessions to the city to secure an extension of its franchise?<sup>20</sup>

When the board of directors met to consider this outpouring a deep division of opinion quickly became evident. F. B. McCurdy (who was the company's largest shareholder) naturally expressed the opposition of the takeover syndicate to the new deal with the city. Two other directors, Abner Kingman and O. E. Smith, supported him, but they were outvoted by J. Y. Payzant, W. B. Ross, J. S. Mackintosh, C. C. Blackadar and M. C. Grant. They promptly placed an advertisement in the newspapers affirming their support for the new contract.<sup>21</sup> Bested in the boardroom, the dissidents retreated to their second line of defence, the provincial legislature, which would have to ratify the

19 Report of the Finance Committee, 18 January, 9 February 1912, City of Halifax, City Council Minutes (microfilm) [hereafter Halifax Council Minutes], 1911-12, PANS; *Morning Chronicle* (Halifax), 9 February 1912.

20 *Morning Chronicle*, 10, 14 February 1912; McInnes, Mellish, Fulton & Kenny, Covert & Pearson, Maclean, Birchell & Ralston to Shareholders of the Halifax Electric Tramway Company, 16 March 1912 (printed circular), Board of Public Utilities Commissioners of Nova Scotia [hereafter P.U.C.], File E-77z, in the P.U.C.'s office, Halifax.

21 *Morning Chronicle*, 16 March 1912; only O. E. Smith actually registered his vote against the movement, and President MacKeen, then 73 years old, does not seem to have taken much part in the debate although he reportedly opposed both the takeover and the deal with the city.

arrangement. Appearing before the Railway and Municipal Committee, G. Fred Pearson (the son of B. F. Pearson) and his law partner, W. H. Covert, claimed to speak for 251 individuals owning 8800 of the 14,000 shares. Pearson argued that the contract between the city and the owners of the company could not be altered without the consent of both the parties. Covert insisted that he did not speak for the Nova Scotia Power syndicate, and both he and Pearson were careful to point out that additional legislation would be required before the Halifax Tramway could be sold to anyone else. City Solicitor Bell contended, however, that the shareholders of the street railway could scarcely complain of unfair treatment. A dividend of 8% on shares originally bought for \$20 and now trading at \$150 was generous indeed. Not only would the new franchise provide tax revenue for the city, but it would prevent the street railway becoming part of a stock speculation. Director J. C. Mackintosh told the committee that all the opposition to the bill was coming from the Nova Scotia Power interests, and speaking for the board T. S. Rogers, K.C., stated the matter bluntly: in 1911 the company had earned over \$215,000 and the directors had concluded that the citizens of Halifax were entitled to share in those profits.<sup>22</sup> This, of course, put the best possible light upon the board's action. A more accurate analysis might be that management was prepared to make a few concessions to the city in return for protection from the rapacious Montrealers determined to oust them.

When the bill reached the floor of the House, members loyal to the syndicate quickly moved the three month hoist.<sup>23</sup> H. H. Wickwire harrumphed that, "They talked about this company being a public utility. How much more so that the Bank of Nova Scotia, and what would the bank say if we told them that they should not earn more than thirteen or fourteen percent on their investment, and that they should pay four percent for their deposits?" Others disagreed. R. M. MacGregor pointed out that "the whole trend of modern legislation [was] to recognize that public utilities were in a special class and subject to interference in a way that private corporations were not." G. E. Faulkner, Liberal member for Halifax City, noted that this distinction between public and private enterprises was "hardly the vapouring of demagogues and anarchists," but something accepted by the leading thinkers of the day.<sup>24</sup> Although the opponents of the bill failed to block it, they man-

22 *Morning Chronicle*, 21 March, 3 April 1912; *Memorandum with Respect to the House of Assembly Bill No. 29, submitted to the Committee of Railways and Municipalities of the House of Assembly on behalf of 251 Shareholders of the Halifax Electric Tramway Company, holding 8800 Shares out of a total issue of 14000, Halifax, N. S., April 2nd, 1911* [sic, 1912], P.U.C., File E-77z.

23 The motion called for the bill to be read three months hence, that is when the House had adjourned, the parliamentary form of shelving legislation.

24 NS, Assembly, *Debates*, 23 April 1912.



aged to make significant alterations. The Tramway Company was forbidden to increase its dividends or capitalization and to sell shares to other utilities for a period of one year, but the new agreement with the city was not brought into force. The act simply noted that negotiations between city and company were continuing, and provided that any extension of the franchise would only come into force through proclamation of the Lieutenant Governor in Council.<sup>25</sup> With a majority of the shareholders in open revolt and Premier Murray in charge of proclaiming the legislation, it was clear that the Nova Scotia Power interests had effectively blocked the deal arranged by the directors. In a year's time, when the legislation expired, the syndicate would once again be in a position to merge the two companies by an exchange of securities.

Before that year elapsed Macleod, McCurdy and Pearson had decided to take their profit immediately by selling out to Robert and his friends in the fall of 1912. The Montrealer's triumph was capped by their agreement to stay out of the street railway business and not attempt to bring power from the Mersey to Halifax for at least five years.<sup>26</sup> Reflecting upon his experiences of the past couple of years, John Macleod was bitter at the hopelessly backward attitude of well-to-do Haligonians of the kind who dominated the street railway's board:

There are many citizens, and their opinions are entitled to every respect, who do not wish Halifax to become other than a quiet, comfortable place of residence. Naturally, they object to the introduction of hydroelectric power and do not want Halifax to become an industrial or manufacturing centre for fear it should become less desirable as a residential city. Well, I hold different views. I favour industry and think the place can expand industrially and still be sufficiently attractive as a place of residence.<sup>27</sup>

He and his friends decided to go and seek their fortunes in other, greener pastures.

On 1 November 1912 stockbroker McCurdy delivered all of the shares owned by his group, as well as those he held for the Robert-McConnell interests, to the newly-created Nova Scotia Development Company.<sup>28</sup> This

25 Nova Scotia, *Statutes*, 1912, c. 78.

26 Speech of J. S. Tory, NS, Assembly, *Debates*, 6 May 1914.

27 Speech (?) by J. R. Macleod (?), "What About the Nova Scotia Power Company?", undated Nova Scotia Power Company File, PANS.

28 The complex corporate history of the syndicate ran as follows: Nova Scotia Power and Pulp Company, incorporated provincially in 1909, changed its name to Nova Scotia Power Company in 1911. Nova Scotia Development Company was incorporated by federal letters patent on 24 October 1912 and acquired all of Nova Scotia Power's shares in Halifax Electric Tramway on 1 November 1912. On 13 August 1913 Nova Scotia Development changed its name to Nova Scotia Light and Power Company, and in January 1917 all the assets of that

holding company had been incorporated in Montreal under federal letters patent in an effort to free the syndicate from scrutiny by over-inquisitive Nova Scotians; its initial assets consisted of 9,863 shares of Halifax Electric Tramway stock received from McCurdy, 6000 of them purchased for \$170 per share, the remaining 3,683 for \$165.<sup>29</sup> Since all of these shares had been acquired for less than \$160 apiece, this represented a profit of more than \$78,000 for those individuals who handed over their stock. Thereafter, Robert and McConnell continued to snap up all other Halifax Tramway stock which became available, and by the time of the street railway's annual meeting in February 1913, the Nova Scotia Development Company controlled 11,500 of the 14,000 shares outstanding. At the meeting no time was lost in ousting all the directors who had supported the new agreement with the city, and Robert had himself installed as president.<sup>30</sup> He and his associates had now achieved control of a concern grossing more than \$600,000 annually, and paying a solid 5% on its bonds and 8% on its common stock. Since the syndicate held 82% of that stock, it would receive about \$92,000 in dividends each year thereafter.<sup>31</sup>

The takeover only seemed to increase the hostility of the citizens of Halifax towards E. A. Robert and his schemes. On the very day that he assumed the presidency, the city council voted to ask the province for power to acquire the street railway. If the ratepayers approved, the company would be offered \$170 per share for its common stock. Should the company refuse to sell the price would be fixed by arbitration.<sup>32</sup> While insisting that relations between the city and the street railway must remain governed by the 1895 contract, Robert responded to the threat of municipalization in two ways. An extensive and costly public relations campaign filled the city's newspapers with large advertisements carrying titles such as "Government Ownership Hampers Progress and Development of Public Utilities" and "Lack of

company were sold to Nova Scotia Tramways and Power Company, incorporated by the province in 1914. See "Name History" in the "Scrapbook History of Nova Scotia Light and Power Company, Limited" held by the Nova Scotia Power Corporation, which kindly permitted us to examine its records.

29 Speech of J. S. Tory, NS, Assembly, *Debates*, 6 May 1914.

30 *Morning Chronicle*, 12 February 1913.

31 *Canadian Railway and Marine World* (May, 1914), p. 235. It seems likely that the syndicate borrowed most of the money required to purchase its shares in Halifax Electric Tramway; if so, the dividends they received would have provided the sums needed to pay the interest on these loans, so that they acquired control of the Tramway without having to put up any of their own money.

32 Halifax Council Minutes, 1912-13, 11 February 1913, PANS; council had already demonstrated its hostility to the merger of the two syndicates in November 1912 by passing a resolution opposing the sale of the street railway to any other utility and calling for a plebiscite on municipalizing the company; see *ibid.*, 11 November 1912.

Economy in Public Ownership.”<sup>33</sup> As a further obstacle to the city’s plan Robert’s lawyers informed Mayor F. P. Bligh of the intention to apply to the provincial legislature to incorporate a new company, Halifax Tramways and Power Company. Capitalized at \$5,000,000, this concern would have the right to take control of Halifax Electric Tramway and to develop 12,000 horsepower of hydroelectricity on the Gaspereau River.<sup>34</sup>

Once again the Railway and Municipal Committee of the Assembly found itself the forum for a heated debate on the future of the Halifax street railway. Although the chairman, R. M. MacGregor, suggested that the two parties try and reach a compromise, many aldermen now felt committed to public ownership and four hours of bitter wrangling ensued before the council would even consent to negotiate.<sup>35</sup> Robert offered an increase in the company’s annual payment to the city from 4% to 5% of gross tram receipts (or about \$13,000) in return for a forty-year extension of the exclusive franchise. Lighting rates, he promised, would be cut by one-third and power rates by one-half just as soon as hydroelectricity was developed by the company and transmitted to Halifax, an annual saving of about \$40,000 for electricity users.<sup>36</sup> Such an offer could be made without placing an undue strain on the company’s finances since revenues were rising at the rate of 10% per year; lighting rates were currently 11c per kilowatt hour, so high that only one-quarter of the city’s homes had electric light, while power cost 7c per kilowatt hour. The promoters of a competing hydroelectric development believed they could make a solid profit charging rates of 7.5c per kilowatt hour for lighting and 1.5c per kilowatt hour for power, so that the reductions offered by Robert did not endanger the earnings of the Halifax Electric Tramway.<sup>37</sup> From the city’s point of view the deal was less appealing; not only did it entail a forty-year extension of the franchise due to expire in 1916, but it conceded to the street railway the right to develop hydroelectricity itself. This, in turn, would entail a large increase in its capitalization and a flood of securities to be handed out to insiders in the syndicate at knockdown prices. Halifax electricity users and tram riders

33 E. A. Robert to Mayor and Aldermen of Halifax, 11 February 1913, Halifax Council Minutes, 1912-13, 11 February 1913, PANS; advertisements ran in the *Morning Chronicle* on 6, 7, 8, 12, 13, 14, 15, 20, 25, 26, 28, 29, 31 March, 1, 2 April 1913.

34 Covert and Pearson to Mayor F. P. Bligh, 12 March 1913, Halifax Council Minutes, 1912-13, 13 March 1913, PANS; *Morning Chronicle*, 14 March 1913.

35 *Morning Chronicle*, 27 March 1913.

36 E. A. Robert to Mayor F. P. Bligh, 1 April 1913, Halifax Council Minutes, 1912-13, 1 April 1913, PANS.

37 These estimates were made by engineers investigating the feasibility of a hydroelectric development at the Head of St. Margaret’s Bay, just west of the city, planned by the Halifax Development Company; see R. McColl to J. H. Dunn, 14 February 1913, Sir James Dunn Papers, volume 42, Public Archives of Canada.

would be required to pay the interest and dividends on these gilt-edged gifts. As a result city politicians refused to have anything to do with Robert's proposal despite a stepped-up advertising campaign by the company.<sup>38</sup>

By this time the local press had entered the fray with enthusiasm. The *Morning Chronicle* and the *Daily Echo*, twin Liberal papers controlled by the Pearson family, took the side of the company. Their columns were filled with dismal tales of the failures of public ownership and dark charges that all the criticisms of the Tramway company were just Tory propaganda. In a series of interviews with the *Daily Echo*, later reissued as a pamphlet, local business leaders sang the praises of E. A. Robert; typical was former alderman Nelson B. Smith, who argued that "capitalists will not invest here if there is any uncertainty of their franchise, or any danger of being deprived of their profits. Capital is sensitive and avoids risky places." Much space was given to the Tramway president's own views; he complained that "Other ambitious cities subscribe money and send out industrial agents to advertize them and extend a welcome to prospective investors. Halifax seems to have one very active and aggressive agency engaged in the work of driving away capital and discouraging the investment of money in the institutions of the city."<sup>39</sup> The Conservative *Herald* and its sister, the *Evening Mail*, controlled by Senator William Dennis, were not a whit dismayed by such criticisms. They fulminated violently against the carpet-baggers from Montreal who now controlled the street railway. At every opportunity the triumphant successes of public ownership were recounted and the city politicians encouraged to keep up the good fight.

Failure to reach a compromise between city and company meant that the hearings before the Railway and Municipal Committee were bound to be stormy. Testifying on the city's request to take over the street railway, Robert set the tone by charging that Senator Dennis supported public ownership only because of a secret deal with a Montreal real estate developer named D. Lorne McGibbon; the two hoped to have the city extend the street railway through a tract of land they were holding for speculative purposes.<sup>40</sup> The company's lawyer made the predictable references to the sacredness and inviolability of the terms of the 1895 agreement. City Solicitor Bell and a representative of the Trades and Labour Council replied with a description of the virtues of municipalization.<sup>41</sup> A second hearing produced no more than

38 Council rejected Robert's proposal by 8 to 5; see Halifax Council Minutes, 1912-13, 1 April 1913, PANS; advertisements praising the offer or the syndicate's charter legislation ran in the *Morning Chronicle* on 2, 3, 5, 10, 14, 24 April 1913.

39 *Some Tram and Power Considerations* (n.p., n.d. [1913]) may be found in File E-77z, P.U.C.

40 McGibbon had joined with Robert to incorporate Montreal Tramways in 1911, but it was alleged that they had fallen out subsequently.

41 *Morning Chronicle*, 5 April 1913.

a repetition of familiar arguments by both sides.<sup>42</sup> Unable to act without provoking a violent outcry by one party or the other, the politicians responded in classic fashion, by stalling. The committee recommended that both the city and the company bills should be killed. On the floor of the Assembly, city member G. E. Faulkner denounced the city council for seeking the alteration of its contractual obligations: "Many Canadians, including citizens of Halifax, had invested their money in Mexico, in Sao Paulo, in Rio de Janeiro, based on concessions granted by municipalities and governments. If those concessions were to be repudiated would it be tolerated for a moment? He believed that in such a case there would be armed intervention." With the spectre of gunboats in the Bedford Basin dancing before their eyes, the legislators swiftly approved the shelving of both bills.<sup>43</sup>

Neither side was prepared to allow matters to rest there. The syndicate quickly introduced a bill to increase the capitalization of the Halifax Electric Tramway Company to permit it to develop Gaspereau power, thus achieving the same end by different means.<sup>44</sup> Equally promptly a mass meeting of citizens on the Grand Parade condemned this as "a breach of legislative contract, an imposition of unsought and undesirable burdens and a linking of the interests of the city with an enterprise operating beyond the city's confines with which the city ought not to be forced to become concerned."<sup>45</sup> The two Liberal M.L.A.s from Halifax, G. E. Faulkner and R. E. Finn, attacked the bill, arguing that such a scheme had already been voted down once that session. Premier Murray, however, leapt to the defence of E. A. Robert, telling the House that "There had been too much pessimism, too much of the feeling that the capitalist wherever he came from, who approached the legislature with the desire to invest capital in these great [water] powers was a dangerous person . . ." The Montrealer, he said, ought not be vilified for his willingness to become involved in the development of the province of Nova Scotia. Despite this the Liberal leader reminded members that the bill was a private one on which they were free to vote as their consciences dictated, and he admitted, somewhat shamefacedly, that in view of the outcry raised by the citizens of Halifax he intended to cast his vote against it. With the Liberals freed from the whips the charter amendments were shelved by a vote of 17 to 12. At the same time the House also rejected a renewed request from the city for power to expropriate the street railway, the Liberals lining up

42 *Ibid.*, 8 April 1913.

43 NS, Assembly, *Debates*, 22 April 1913.

44 *Ibid.*, 7 May 1913.

45 Halifax City Clerk to Premier G. H. Murray, 8 May 1913, City of Halifax Papers, City Clerk's Department, PANS.

unanimously against it.<sup>46</sup> Undaunted by its reverses the company introduced a third bill that session to increase the authorized capitalization of the Halifax Electric Tramway from \$1,500,000 to \$2,000,000. Charles Tanner, the Opposition Leader, angrily attacked this piece of corporate effrontery, warning that his party would not consider such rights bona fide and would repeal them if it came to power. Murray's Liberals, however, apparently felt that they owed Robert (and his ally, Fred Borden) some sort of consolation prize and permitted the bill to pass.<sup>47</sup>

Nonetheless, by mid-1913 Robert had failed to carry out his plans. The major obstacle had proved to be the provincial Conservative party, which had made the objections of Halifax civic leaders its own. The Halifax Platform of 1907 had endorsed public ownership of utilities, and Robert Borden had warned at that time against the "vast accumulation of wealth in the hands of a few men, [which] confronts us with the possibility that great national resources may pass into the hands of an oligarchy of wealth and may be used for the oppression rather than the benefit of the people."<sup>48</sup> The political success of Sir James Whitney's Hydro-Electric Power Commission in Ontario had not gone unnoticed, and Opposition Leader Charles Tanner had led the fight for public power in Nova Scotia, criticizing private utilities monopolies at every opportunity. Premier Murray, however, rejected public ownership. As he told the Assembly, "To take care of the public interest would be a sound policy, but this was very different from going to the treasury and making investments in water powers . . . . Personally, he would be glad to see private companies come in and develop water powers if the legislature took care that their rights were not exercised in such a way as to be inimical to the public interests."<sup>49</sup> But the popular outcry against Robert's schemes, against the very lack of protection afforded the public interest, was so intense that Murray could hardly be expected to take all the political blame for putting through the charter changes, particularly in view of the fact that the two Liberals from Halifax, G. E. Faulkner and R. E. Finn, would have to vote against them or risk losing their seats.

E. A. Robert's experience in Montreal had made him an expert, however, in the handling of politicians, an essential skill for a utilities promoter. If some of the local Conservatives could be won over to his side, some of the

46 NS, Assembly, *Debates*, 7, 8 May 1913; the city council passed a unanimous resolution critical of the refusal to permit a plebiscite on expropriation; see Halifax Council Minutes, 1913-14, 12 May 1913, PANS.

47 NS, Assembly, *Debates*, 13 May 1913; NS, *Statutes*, 1913, c. 194.

48 *The Liberal-Conservative Platform as Laid Down by R. L. Borden, M. P. Opposition Leader, at Halifax, August 28th, 1907* (n.p., n.d.).

49 NS, Assembly, *Debates*, 3 March 1914; Murray was speaking in the debate on the incorporation of the Canadian Provincial Power Company.

steam might be taken out of the party's attacks upon him. He soon discovered that two influential Tories, Edgar N. Rhodes, M.P. for Cumberland, and his uncle, Senator Nathaniel Curry, owned a potential hydro site on the West River at Sheet Harbour, N.S. With little difficulty Robert convinced them (as he had convinced Macleod and McCurdy before them) that they should enter his syndicate. For their Sheet Harbour property they would receive \$100,000 in cash, \$75,000 worth of first mortgage bonds, \$75,000 in preferred stock and \$250,000 in common stock in his Montreal-based holding company.<sup>50</sup> This concern, originally incorporated as the Nova Scotia Development Company, had changed its name to the Nova Scotia Light and Power Company in the summer of 1913.<sup>51</sup> The deal made, Rhodes and Curry promptly summoned a couple of Tory M.L.A.s to Ottawa and let it be known that they wanted the party to drop its opposition to Robert's plans. Rhodes even journeyed back to Halifax to appear before the caucus and left believing that there would be a free vote on the matter.<sup>52</sup> Meanwhile, Senator Curry had been doing his best to persuade fellow-Senator William Dennis to moderate the opposition of his newspapers, the *Herald* and the *Evening Mail*. "Unless the people of Halifax change their attitude towards corporations that are willing to build up the city," wrote Curry to Dennis, "it will mean that Halifax will lie dead until the present generation of kickers die off and a new and more progressive generation comes to the front."<sup>53</sup>

Thus, when the 1914 session of the provincial legislature opened all seemed in readiness. A new charter application had been prepared in the name of the Nova Scotia Tramways and Power Company. Capitalized at \$20,000,000, this company proposed to issue \$3,000,000 in bonds, \$3,250,000 in preferred stock and \$6,000,000 in common shares to acquire the street railway and the properties at the Gaspereau and Sheet Harbour. Since the properties had cost the Robert syndicate only \$200,000 in cash, and the 14,000 shares of Halifax Electric Tramway stock were worth \$2,380,000 at \$170 apiece plus the \$600,000 needed to retire that company's bonds, \$12,250,000 worth of securities was generous indeed.

Some estimate of the speculative profits which Robert and his friends hoped to gain from this transaction can be made through a comparison with a rival scheme to develop and supply hydroelectricity for Halifax undertaken

50 Senator N. Curry to Senator J. E. Dennis, 9 February 1914; H. A. Lovett to E. N. Rhodes, 10 February 1914, E. N. Rhodes Papers, Box 410, PANS; Lovett was a Montrealer associated with the syndicate.

51 See n. 28 above.

52 Rhodes to W. G. Foster, 20 April 1914; Rhodes to John C. Douglas, 25 April 1914, Rhodes Papers, Box 410, PANS.

53 Curry to Senator William Dennis, 4 April 1914, Rhodes Papers, Box 410, PANS.

at the same time. The Halifax Development Company, organized by S. M. Brookfield, the president of the Maritime Telephone and Telegraph Company, owned the rights to the water powers on the Northeast and Indian Rivers at the Head of St. Margaret's Bay, just 17 miles west of the city. A study undertaken by the well-known electrical engineering firm of C. H. and P. H. Mitchell of Toronto concluded that the Halifax Development Company could generate 6000 horsepower annually for an investment of \$520,000. The company decided to develop 4000 horsepower initially, or about the amount produced by Halifax Electric Tramway's thermal station, and the Mitchells advised that a distribution system for both power and lighting, covering not only Halifax but Dartmouth (where the Tram company did not operate) could be constructed for \$97,800. Charging rates for electricity averaging less than half those presently demanded by Halifax Electric Tramway, the Halifax Development Company expected to earn a solid 6% on its \$600,000 worth of bonds, 8% on its \$1,000,000 worth of common stock and still pile up a surplus of \$29,300 during the first year of operation.<sup>54</sup> Even though Robert's Gaspereau properties were decidedly inferior to the waterpowers at the Head of St. Margaret's Bay, both in terms of cost of development and reliability of stream flow, he had several evident advantages. Not only did control of Halifax Electric Tramway ensure a demand for a large, steady base load and the right to use the existing distribution system, but this made available the street railway's earnings, \$270,000 in 1913, plus the \$794,921.64 in its surplus account to pay the interest and dividends on the stocks and bonds to be given away to syndicate insiders at bargain prices.<sup>55</sup> Moreover, the size of these speculative profits would be neatly concealed since Nova Scotia Tramways and Power would formally purchase the assets of the holding company, Nova Scotia Light and Power of Montreal; the value of the latter's assets could be enormously inflated for takeover purposes, thus justifying the flotation of so many securities.<sup>56</sup>

Suddenly, however, things began to go wrong. Rumours started to circulate among local Conservatives that Prime Minister Robert Borden had expressed his opposition to the charter. It was said that if the bill went through a large sum would be paid into the Liberal campaign fund.<sup>57</sup> When it became known that Rhodes and Curry were connected with the Nova Scotia Tramways and Power application their friends reacted with dismay; one warned Rhodes that

54 See above n. 37; the engineers' report is attached to R. McColl to J. H. Dunn, 14 February 1913, Sir James Dunn Papers, volume 42, Public Archives of Canada.

55 *Canadian Railway and Marine World* (May, 1914), p. 235.

56 See n. 28 above; since Nova Scotia Light and Power had a federal charter the size of the syndicate's investment could be concealed from Nova Scotians.

57 Rhodes to John C. Douglas, 25 April 1914; Rhodes to C. E. Tanner, 28 March 1914, Rhodes Papers, Box 410, PANS.



This whole private company ownership of public utilities, such as transportation and light in cities, is [a] d-----d dangerous franchise to own . . . . What I am afraid of is that you people do not know what a keen bunch you are apparently running with – Robert and Sir Fred [Borden] have no love for you and your uncle, and there are financiers in Halifax not to be tampered with, whose interests extend to near towns. But if you imagine you can with safety monkey with that N. S. Power bunch you want to go easy. I wouldn't trust one of the bunch on either side if \$500 was at stake.<sup>58</sup>

Reuben P. Proctor, president of the Halifax County Liberal-Conservative Association, despatched a confidential telegram to every member of the Tory caucus denouncing the bill. The promoters, he charged, were “prepared to slash [the] Public Utilities Act so that their stocks and bonds may be issued without regard to semblance of physical value.” He urged his fellow-Tories to back up the protests of municipal spokesmen in the legislature.<sup>59</sup> W. G. Foster, Secretary of the Association, wrote to Rhodes himself and told him bluntly that he thought the proposed charter objectionable, unfair and unjust, adding that “the party that quickly rises to the protection of municipal rights and will not tolerate the interference of promoters in bartering public franchises is the one the people want.”<sup>60</sup> In the House of Assembly, Opposition Leader Tanner called for public control of all water powers in the province.<sup>61</sup> Rhodes did his best to prevent the party from coming out against the bill. He convinced himself that the attacks had been planned by F. B. McCurdy, now federal Conservative Member of Parliament for Queen's-Shelburne, whom he believed to be organizing a rival power syndicate. Where else could such opposition to Nova Scotia Tramways and Power originate? Why would such “villanous, vituperous [sic], scurrilous, snake-in-the-grass” tactics be used? There was no truth, Rhodes insisted, to the suggestion that the Liberals would get a payoff once the bill passed, and dragging in party politics would only harm the Conservatives.<sup>62</sup>

There is no evidence that McCurdy really was behind the clamour against the charter. More likely, the Conservative leadership, which had strongly opposed Robert's plans in 1913, concluded that the demands of both consis-

58 C. R. Bill to Rhodes, 27 March 1914, Confidential, Rhodes Papers, Box 410, PANS.

59 The telegram was read to the Assembly by Liberal R. M. MacGregor; see NS, Assembly, *Debates*, 17 April 1914.

60 Foster to Rhodes, 13 April 1914, Confidential, Rhodes Papers, Box 410, PANS.

61 NS, Assembly, *Debates*, 3 March 1914 concerning the incorporation of the Canadian Provincial Power Company.

62 Rhodes to W. G. Foster, 20, 27 April 1914, Rhodes Papers, Box 410, PANS; Rhodes' suspicions were increased by the fact that McCurdy's ally, J. R. Macleod, was president of the Halifax City Liberal-Conservative Association, which also opposed the charter bill.

tency and political advantage prevented any change in their position. Certainly, the rising tide of protest in the city of Halifax suggested that the citizens had not changed their minds. An emergency meeting of city council on 31 March 1914 attracted a large crowd; both councillors and members of the public outspokenly criticized the Nova Scotia Tramways bill. Council then passed a unanimous resolution condemning the “gross and flagrant violation of the rights of the city,” and the “obnoxious” and “disastrous” character of legislation which “would not only forever prevent all possibility of the city ever securing control of its own franchises, but would also shut out all possibility of compelling the Company operating those franchises to give the citizens better service or cheaper rates.”<sup>63</sup> Large newspaper advertisements showed Mayor F. P. Bligh pointing an Uncle-Sam-like finger and warning, “YOU, MR. CITIZEN, MUST PROTECT YOUR RIGHTS.” Otherwise the bill would “barter the people’s franchises” to the “Big Interests” who would raise transit fares and electricity rates in order to pay themselves “bloated dividends.”<sup>64</sup> Printed broadsheets appeared with screaming headlines like “*APPEAL TO THE PEOPLE: Mayor Bligh on behalf of the City of Halifax and its Citizens Appeals to Fellow Nova Scotians for Support and Cooperation in the Fight to Protect Civic Rights and Municipal Autonomy.*”<sup>65</sup>

Yet the syndicate did not waver in its determination to ram the legislation through the provincial assembly. Although the Conservative party seemed divided, Premier Murray and his followers, with the exception of the two city members, remained ready to stand up and be counted. H. H. Wickwire, promoter of the bill and chairman of the Private and Local Bills Committee was ready to do his best to limit public hearings on the bill, particularly evening sessions at which the opposition to the syndicate had been able to air its views before large and enthusiastic crowds in 1913. But the pressure proved too great. No less than three hearings were held, one an evening session in the Assembly chamber which brought out the band of the Royal Canadian Regiment to serenade the waiting crowd. Before a packed hall Mayor Bligh denounced the bill at length as did A. R. Mosher of the Trades and Labor Council and the Reverend Dr. Forrest, former president of Dalhousie, who declared that the extraordinary powers requested would do no more than link Halifax to 150,000 acres of “blueberry barrens.”<sup>66</sup> Critics harped upon the

63 Halifax Council Minutes, 1913-14, 31 March 1914, PANS.

64 *Acadian Recorder* (Halifax), 6 April 1914.

65 The broadsheet was enclosed in W. G. Foster to E. N. Rhodes, 13 April 1914, Confidential, Rhodes Papers, Box 410, PANS, along with *Rejoinder to Mr. Lovett's Letter to Halifax Citizens. All that Halifax Asks is that the Existing Charter which Governs the Relations between Itself and the Tram Company Be Maintained.*—F. H. Bell, K.C., *Puts the Case of the City Strongly before the Public*; Lovett's open letter appeared in the *Morning Chronicle*, 8 April 1914.

66 *Morning Chronicle*, 8 April 1914.

clause exempting the Nova Scotia Tramways and Power Company from the jurisdiction of the Public Utilities Commission, an exemption which would free the company from any limits upon the amount of watered stock it wished to issue. A local Citizen's Committee was formed and convened a series of mass meetings throughout Halifax.<sup>67</sup> The city council unanimously passed another resolution alleging that the street railway charged exorbitant rates for electricity and requesting the P.U.C. to investigate, while noting that the huge load of debt to be piled up by the merger would make any future reductions impossible. So intense did the outcry become that eventually the Tories on the Private Bills Committee joined with the two Halifax Liberals to have this section deleted.<sup>68</sup>

Just as it seemed that the uproar might force the shelving of the bill once more, or at least compel the removal of the more offensive provisions, attention was deflected away from the legislation itself for almost a fortnight. The ill-feeling which had mounted on both sides suddenly burst forth in a distracting incident of glorious foolishness.

It all began on the afternoon of April 16 when the *Evening Mail* published a letter, signed with pseudonym "Ian McLean," which declared: "If this bill passes in the face of public opinion so clearly shown and knowing the strong financial interests behind the bill, what conclusion will the general public come to? Simply that some of the gentlemen sent to the House of Assembly to protect our interests were unable to resist temptation and were bought, body and breeches."<sup>69</sup> Not particularly outrageous by the journalistic standards of the time, the letter was seized upon by the beleaguered supporters of the Robert syndicate as a pretext to revenge themselves upon their most strident critics. As soon as the House met the next day, J. S<sub>1</sub> Tory, Liberal member for Guysboro, rose to demand an investigation on the grounds that the collective integrity of the members had been impugned. The Premier leapt in to agree that the letter must be the work of a "conspiracy" interested in a rival waterpower and attempting to block passage of the bill by deliberate misrepresentation. A seven man committee, chaired by Liberal J. L. Ralston, was hastily set up to investigate the source of funds behind the campaign the *Herald* and the *Evening Mail* had been conducting. This feckless undertaking even attracted some Conservative support, and three Tories were named to the committee. A flood of speaker's warrants was promptly issued commanding the employees of the offending newspaper to appear and testify.<sup>70</sup>

67 *Acadian Recorder*, 15 April 1914; *Morning Chronicle*, 17 April 1914.

68 *Halifax Council Minutes*, 1913-14, 9 April 1914, PANS; H. A. Lovett to Rhodes, 23 April 1914, Rhodes Papers, Box 410, PANS.

69 *Evening Mail* (Halifax), 16 April 1914.

70 NS, Assembly, *Debates*, 17 April 1914; Douglas led the Conservative support for the enquiry, not surprisingly since he was Rhodes' leading ally in the caucus.

Senator Dennis immediately ordered the republication of the passage complained of, stating that he, not his subordinates, would take the blame for it. One of the Conservative members of the committee, R. H. Butts of Cape Breton, thereupon declared that the Senator had played "the part of a coward," since he could not be arrested so long as the Senate was sitting.<sup>71</sup> The *Evening Mail* riposted with a string of insults about Butts, including the dreadful charge that he wore his hat on the back of his head while the House of Assembly was in session. The enraged Cape Bretoner responded forcefully and directly; approaching the Senator at the next session of the committee he reached out and tweaked his nose long and hard until wrestled away by main force.<sup>72</sup> The Liberal press could hardly contain itself at the sight of two Conservatives assaulting one another. The *Morning Chronicle* blossomed forth with learned disquisitions on whether the "tweak" was a challenge to a duel or reserved for those so socially inferior as to be exempt from challenge. One lighthearted front page story was headlined, "Has Raised a Grave Constitutional Issue: Tweaking of the Senatorial Nose May Precipitate a Contest between Federal and Local Parliaments Necessitating Amendment of B.N.A. Act," a discussion of whether Butts could be hailed before the Red Chamber for his attack upon Dennis.<sup>73</sup> During this knockabout farce, Ralston's committee tried doggedly to proceed with its investigation, despite a sign on the door affixed by some local wit which read "The Tweakery." William R. McCurdy, editor of the *Herald*, readily admitted that he had approved the "Ian McLean" letter for publication, but steadfastly refused to identify its author. Balked, the committee could only recommend that he be called to the bar of the House. The editor appeared twice to repeat his refusal, and after an enormous procedural wrangle it was decided to sentence him to forty-eight hours in jail for contempt of parliament.<sup>74</sup> Even this proved laughable; McCurdy spent his time receiving visitors and grinding out stories of his jailhouse experiences, while crowds of admirers gathered outside in Spring Garden Road and the band of the Royal Canadian Regiment serenaded him with a programme of popular songs.<sup>75</sup> After his release Ralston's committee continued its ineffectual efforts to uncover the identity of "Ian McLean." Finally on May 10, one J. McL. Fraser, an employee of the federal Marine and Fisheries Department, admitted responsibility. The investigation fizzled out without uncovering any evidence of a "conspiracy" against the Robert

71 *Morning Chronicle*, 23 April 1914.

72 *Ibid.*, 24 April 1914.

73 *Ibid.*, 25 April 1914.

74 NS, Assembly, *Debates*, 28, 29, 30 April 1914.

75 *Morning Chronicle*, 4 May 1914; Sam Hughes subsequently had to answer questions in the House of Commons about the propriety of regimental bands participating in political demonstrations; see the *Morning Chronicle*, 7 May 1914.

syndicate, and the *Herald* and the *Evening Mail* continued their fulminations against the Liberals and the supporters of the Nova Scotia Tramways bill, whom they promptly labelled the “tweakers.”<sup>76</sup>

Meanwhile, the charter legislation had finally emerged from the Private Bills Committee. Rhodes had been working hard to prevent any further defections. In Ottawa he met with Prime Minister Borden to ascertain that the rumour he opposed the syndicate’s plans was unfounded; John Douglas, Rhodes’ closest ally in the local caucus, was hastily instructed to spread this news amongst the members.<sup>77</sup> Douglas did his work well, and at the crucial moment a number of Tories absented themselves and the Liberals were able to outvote those who remained even though they were joined by the two Liberals from the city, Finn and Faulkner.<sup>78</sup> Rhodes now could report confidently that his Grit friends in Ottawa were assuring him that Murray was prepared to put the bill through over all objections.<sup>79</sup> Nevertheless, the debate in the House dragged on for half a dozen days. R. E. Finn led off for the opposition with a six-hour speech in which he reviewed the entire history of the “grab” for Halifax. Not only the city council and the Citizen’s Committee were dead set against it, he declared, but so were the Board of Trade, the Manufacturers’ Association of Nova Scotia and at least eighty percent of the local citizenry.<sup>80</sup> Conservative W. L. Hall of Queen’s pointed out that

It was all right to talk about merging piano companies and underwear companies, because there were lots of other ways men could buy suits of underwear or pianos without buying from a merger, but from the very nature of public utilities they were the necessities of life. If we were giving them the right to monopolize the heat and light of the city the public must be considered. These franchises were often valuable simply because they had to be used . . . . Therefore, the citizen had a special right to be protected . . . .<sup>81</sup>

Opposition Leader Tanner was blunter still, calling it “a criminal thing . . . to permit a public utility like the Halifax Tram Company to be loaded down with watered stock.” The promoters, he said, “knew how to dodge a bill through the legislature if any men knew how. They had done it in Quebec and thought they could do it down here.”<sup>82</sup>

76 *Morning Chronicle*, 12 May 1914.

77 Senator N. Curry to H. A. Lovett, 25 April 1914; Rhodes to John C. Douglas, 14 April 1914, Rhodes Papers, Box 410, PANS.

78 Lovett to Rhodes, 23 April 1914, Rhodes Papers, Box 410, PANS.

79 Rhodes to Douglas, 14 April 1914, Rhodes Papers, Box 410, PANS.

80 NS, Assembly, *Debates*, 1 May 1914.

81 *Ibid.*, 7 May 1914.

82 *Ibid.*, 8 May 1914.

So vehement was this opposition that one member of the syndicate, H. A. Lovett of Montreal, who had journeyed to Halifax to watch over the progress of the bill, became most pessimistic. Rhodes, far off in Ottawa, remained confident that the Liberals would not let them down.<sup>83</sup> And he proved right. E. H. Armstrong, the Commissioner of Works and Mines, insisted that the merger posed no bar to future public ownership.<sup>84</sup> J. S. Tory admitted that there might be a little water in the \$6,000,000 worth of common stock to be issued, but argued that nobody had ever raised such objections to corporate charters before.<sup>85</sup> Premier Murray wound up the debate with a ringing attack upon public ownership, claiming that the charter represented the most efficient and economical method of securing hydroelectricity for Halifax. Then all the Grits, save Finn and Faulkner, trooped into the lobbies to pass the bill by 20 to 14. The Conservatives, Douglas included, were thus able to unite in opposition to the legislation, with only Butts and Frank Stanfield absent.<sup>86</sup> To one Tory member who tried to explain that he had acted solely because of strong pressure from his constituents, Rhodes replied tartly: "If we had spent one-half the money which has been spent by the city of Halifax and the McCurdy interest in preventing passage of the bill, we could have created quite as much sentiment in favour of it."<sup>87</sup> But an effort by the Legislative Council to make the acquisition of the Halifax Electric Tramway subject to a vote of the ratepayers was beaten back in the House of Assembly by a decisive majority and the bill became law.<sup>88</sup> The city council refused to give up; on May 13 it passed a resolution declaring the charter a "legislative breach of faith," and on June 11 called unanimously for its disallowance on the grounds it had been passed "solely for the purpose of speculation." "Franchises," this resolution ran, "are in a very real sense the property of the citizens and should not be alienated not only without their assent but against the protest of the City Council and the representatives of the City in the Legislature." Justice Minister C. J. Doherty refused, however, to become embroiled in this local quarrel and rejected the petition for disallowance in the following November.<sup>89</sup> The syndicate, meanwhile, lost no time in carrying

83 Lovett to Rhodes, 23 April 1914 and reply, 25 April 1914, Rhodes Papers, Box 410, PANS; Rhodes insisted that Douglas' political judgment could be relied upon and that there was nothing to worry about.

84 NS, Assembly, *Debates*, 4 May 1914.

85 *Ibid.*, 6 May 1914; Tory was a Nova Scotian who became a Sun Life executive in Montreal, but continued to summer in Guysboro and sit in the Assembly for his native town. He was very sympathetic to Robert's plans.

86 NS, Assembly, *Debates*, 8 May 1914.

87 Rhodes to Albert Parsons, 6 May 1914, Rhodes Papers, Box 410, PANS.

88 Nova Scotia, Legislative Council, *Debates*, 20 May 1914; Nova Scotia, *Statutes*, 1914, c. 180.

89 Halifax Council Minutes, 1914-15, 13 May, 11 June, 6 July, 5 November 1914, PANS.

out its plans; on 10 June 1914 E. A. Robert, Sir Frederick Borden, J. W. McConnell, E. N. Rhodes, Nathaniel Curry and ten others were formally incorporated as the Nova Scotia Tramways and Power Company.<sup>90</sup>

The necessary organizational work occupied a full year, and it was not until 9 June 1915 that the first meeting of the provisional directors of Nova Scotia Tramways was convened. They immediately approved the issuing of \$12,250,000 worth of securities, the proceeds from the sales to be used to acquire Halifax Electric Tramway and the Gaspereau properties from Nova Scotia Light and Power, Robert's Montreal-based holding company.<sup>91</sup> Since this issue required the authorization of the Public Utilities Commission, the city was given one final chance to register its disapproval. How, it asked, could the Commission value the assets of Nova Scotia Tramways when it refused to reveal how much had been paid for them? Why should the risk of developing the power fall not upon the investors but upon the tram-riders and electricity-users of Halifax?<sup>92</sup> But the P.U.C. proved a weak reed. After deliberating for over a year the Commissioners announced on 19 September 1916 that they considered the merger "entirely proper": "Keeping in mind, then the importance to the applicant [Nova Scotia Tramways and Power], should the scheme be carried out, of at once having a revenue commensurate with the outlay, it cannot but be considered wise and prudent, if not wholly essential to its success, that the formidable competition of the Halifax Electric Tramway Co. Ltd. be removed, its established business and revenue at once procured, and a long, unprofitable period of idle capital guarded against." The P.U.C. valued the street railway's stock at \$2,850,000 (\$203.57 per share), and this sum, taken together with the \$600,000 needed to retire its bonds, \$300,000 to acquire the Gaspereau property and \$1,500,000 needed to develop it, plus \$300,000 in working capital brought the company's cash requirements to \$5,550,000 in all. In order to raise this sum Nova Scotia Tramways was authorized to issue \$3,000,000 in bonds at \$90 (\$2,700,000), \$2,500,000 in 6% cumulative preference shares at \$75 (\$1,875,000) and \$2,500,000 of common stock at \$40 (\$1,000,000), a total of \$5,575,000.<sup>93</sup>

90 The other incorporators were William G. Ross, F. Howard Wilson, J. M. Wilson, H. A. Lovett, all Montrealers, P. J. McIntosh of New York, and Obed E. Smith, W. M. P. Webster, Howard H. Smith, John E. Wood and J. A. Neville, all of Halifax.

91 Minutes of the meeting of provisional directors, 9 June 1915, Nova Scotia Tramways and Power Company Minute Book 1, Nova Scotia Power Corporation.

92 Brief of the City of Halifax to the Nova Scotia Board of Public Utilities, submitted by F. H. Bell, City Solicitor, 1915, P.U.C., File E-77z; the city also retained engineer Henry E. Holgate to appear before the P.U.C. as an expert witness; see Halifax Council Minutes, 1915-16, 6 July, 5 August 1915, PANS.

93 Report of the Public Utilities Board, [19 September 1916], Nova Scotia, Legislative Assembly, *Journals*, 1917, Part II, Appendix 27, pp. 13, 36.

Although less than the promoters had hoped for (which was why they had fought so hard for exemption from the P.U.C.'s jurisdiction), this still represented a very handsome venture profit for them. At the first formal board meeting of Nova Scotia Tramways and Power in January, 1917 they swiftly voted to buy from themselves 11,513 shares of Halifax Electric Tramway stock (held in the name of Nova Scotia Light and Power Company of Montreal) for \$203.50 per share. Since this stock had been acquired by Nova Scotia Light and Power for between \$165 and \$170 per share, this represented a profit of \$404,100.50.<sup>94</sup> In addition they received all 25,000 common shares of the new company, Nova Scotia Tramways and Power, shares which carried with them managerial control. The \$2,250,000 in bonds which they acquired at \$90 each were promptly offered for sale by underwriters in Boston and New York at \$95.50, or a profit of \$123,750 (from which commissions had, of course, to be deducted). The preference stock, with a face value of \$1,500,000 but acquired for \$75 per share, was sold at par with a bonus of three common shares for every ten preference purchased, or a profit of \$195,000 after the book value of the common stock bonus (4500 shares at \$40 each) had been deducted.<sup>95</sup> The sale of these securities thus netted the syndicate \$3,648,750, of which \$3,150,000 was owed back to Nova Scotia Tramways and Power, leaving them with a profit of \$318,750. Added to the \$404,100.50 gain on the Halifax Tramways share purchase this represented a gross profit on the securities transactions of \$722,850.50, to which might be added at least \$78,415 from the time when the individual syndicate members had sold their Tramway stock to Nova Scotia Light and Power in 1912, or a grand total of \$801,265.50. Since the Gaspereau lands had actually cost Robert only \$100,000 in cash, but were now valued at \$300,000 by the P.U.C., this meant a further gain of \$200,000, which brought the total gross profit up to the nice round sum of at least \$1,001,265.50.<sup>96</sup>

Happily for the syndicate members this was not all, for they still retained 20,500 (82%) of the common shares of the new Nova Scotia Tramways and Power Company, a company whose assets were now valued at \$7,446,668 and whose earning power was solidly underpinned by the Halifax street railway of which both the gross and net earnings had reached new highs in 1916.<sup>97</sup> In its first year of existence Nova Scotia Tramways was in a position to pay

94 Directors' meeting, 9 January 1917; Special general meeting of shareholders, 9 January 1917; Directors' meeting, 10 January 1917, Nova Scotia Tramways and Power Company Minute Book 1, Nova Scotia Power Corporation.

95 *Ibid.*; details of the public offering of securities are contained in *Canadian Railway and Marine World* (February, 1917), p. 68.

96 In addition, the syndicate had received \$92,000 annually in dividends on their Tramway stock over the preceding 4 years; even if the money to purchase the stock was borrowed at, say, 6%, this would have meant almost \$100,000 in additional profits.

97 *Canadian Railway and Marine World* (February, 1917), p. 68.



6.5% on its common stock after the bond interest and preference dividends had been met. Moreover, with control of Halifax Electric Tramways went access to the \$1,002,884 in its surplus account at the end of 1915. How this surplus was used is not clear, but what is known is that at the end of 1917 Nova Scotia Tramways had only \$7,199.54 in its surplus account.<sup>98</sup> Whether these funds were used to purchase the 2487 outstanding shares of Halifax Tramway stock for \$203.50 each (\$506,104) and to redeem the \$600,000 worth of bonds, or for some other purpose, it meant that the syndicate was not required to put up any more cash.<sup>99</sup> And most fortunately of all, like true Canadian entrepreneurs, they were in a position to sell their controlling interest in Nova Scotia Tramways to a group of Americans in 1919 for a further profit of undisclosed size.<sup>100</sup> All in all, then, the promoters had every reason to congratulate themselves on their coup.

The citizens of Halifax, however, had little to celebrate. Indeed, it might be said that the promoters administered to them a "tweaking" far more severe, more longlasting and more painful than that suffered by Senator Dennis' proboscis. The ostensible purpose of the merger was to permit the development of hydroelectricity on the Gaspereau and the distribution of this cheaper light and power within the city of Halifax. But nothing came of that. From the very outset the directors of Nova Scotia Tramways and Power twisted and squirmed to get out of their commitment to begin developing the Gaspereau, and in 1917 they succeeded in procuring from the legislature an extension of the deadline for starting work from 1916 to 1919.<sup>101</sup> The funds raised for this purpose were promptly channelled out of Nova Scotia and lent to Montreal Tramways and Power Company, another undertaking controlled by Robert.<sup>102</sup> Indeed, Robert must have known from the outset, as an experienced electrical utilities' executive, that the difficulty and expense of developing the Gaspereau, added to the serious doubts about the adequacy of the stream flow, made a successful installation highly problematical. That the real purpose of the takeover of the street railway was a financial specu-

98 *Annual Financial Review*, vol. XVI (Toronto, 1916), p. 606.

99 If, as seems likely, the surplus was used for this purpose, or to provide the working capital for the new company, the profits reaped by the syndicate would be greater by over \$1,000,000.

100 Second annual general meeting of shareholders, 31 March 1919, Nova Scotia Tramways and Power Company Minute Book 1, Nova Scotia Power Corporation. If all 20,500 shares had been sold for their nominal 1917 price of \$40 apiece, the additional profit would have been \$820,000 plus accrued dividends.

101 Directors' meeting, 21 February, 23 March 1917, Nova Scotia Tramways and Power Company Minute Book 1, Nova Scotia Power Corporation; Nova Scotia, *Statutes*, 1917, c. 183 amended sec. 32 of c. 180, 1914 which bound the company to spend \$500,000 on development within two years, and extended the deadline for starting work to five years.

102 Directors' meeting, 15 April 1917, Nova Scotia Tramways and Power Company Minute Book 1, Nova Scotia Power Corporation.

lation is indicated by the fact that he apparently never approached the Halifax Development Company, which possessed a relatively easily developed power site within 20 miles of the city at the Head of St. Margaret's Bay, either with a view to a takeover or to purchasing power. When Boston interests acquired control of the company in 1919 they lost little time in applying to the legislature to have the charter provision requiring them to invest money in developing the Gaspereau deleted altogether.<sup>103</sup> When hydroelectricity came to Halifax in June 1922, it came not because of the activities of Nova Scotia Tramways and Power, but because the provincial Power Commission took over the development at St. Margaret's Bay and completed it. The company then became a distributor for the public agency.<sup>104</sup>

In their dealings with Nova Scotians E. A. Robert and his friends showed that they were men who knew a great deal about getting their own way. In 1909 they set out to gain control of an electrical utilities monopoly in the province's capital. Such an undertaking would have been solidly profitable in its own right, particularly if cheap hydroelectricity were substituted for relatively expensive steam power. But these men, like promoters in other Canadian cities, were not satisfied simply with operating profits; they wanted the vastly greater speculative returns offered by a merger and a recapitalization. Thus they had first to deal with rival entrepreneurs, then to oust the management from control of the street railway, while all the time pressing their case with the city and the province. That they attained their objectives was less a measure of their business acumen than of their ability to command political influence. Sir Frederick Borden's presence in the syndicate was symbolic of this: he could be relied upon to deliver the necessary Liberal votes. The "grab" for Halifax succeeded only through the acquiescence of Premier Murray. While idealists might argue that he acted out of ideological hostility to public ownership in encouraging Robert's schemes, it is difficult to see why he should have alienated his own followers from Halifax as well as local politicians, when he could have thrown his weight behind the plan to have an independent concern, like the Halifax Development Company, generate hydroelectricity and transmit it to the city for sale to the street railway and to other light and power users. Political influence, perhaps cemented by financial generosity, seems the most plausible explanation for his behaviour, and it was this that enabled Robert to outflank irate citizens and municipal officials.

And the "tweaks" which Robert proceeded to administer to the city were not soon forgotten. First, he ousted local people from control of the street

103 Directors' meeting, 19 June 1920, Nova Scotia Tramways and Power Company Minute Book 2, Nova Scotia Power Corporation.

104 We intend to deal with this subject in a forthcoming paper.

railway and ultimately handed it over to a group of Bostonians and New Yorkers. Secondly, he blocked the city's effort to buy him out at a fair price in 1913 through his influence with the provincial government. Thirdly, he was able to push through legislation authorizing the merger in 1914 despite the outspoken opposition of most citizens. Fourthly, he used his control of Nova Scotia Tramways and Power to load it up with so much debt that it would be almost impossible for the city to raise the money to buy out the company in future. And that very load of debt justified the retention of high electricity rates and tram fares. Fifthly, the syndicate made large profits on the deal and still retained control of the company. But they did not use that control to develop hydroelectricity on the Gaspereau and pass on the advantages of cheap power to the city of Halifax. Instead, they set out systematically to evade their obligations, so that a provincial commission had to be set up in 1919 to undertake the very task which had been given as the *raison d'être* of the merger. These experiences must have confirmed every Haligonian's prejudices about what to expect from a Montrealer.