

F134

# RESULTS

OF

## FIVE YEARS GRIT-ROUGE RULE

IN CANADA.

*The Contract System and How it has been Worked  
by Mr. Mackenzie.*

Upon no question has Mr. Mackenzie claimed more credit than upon his administration of his department in so far as letting contracts is concerned. In the first place he has claimed that he has in a much larger number of cases given the contract to the lowest bidder than was the case under the late Government; and in the second place that he has been most careful that no political favoritism should obtain in the awarding of contracts. On the first point, in his recent speech in Lindsay, Mr. Mackenzie repeated the statement that he has made in nearly all his public speeches, to the effect that during his entire term of office he had given out four times as large an amount of contracts to the lowest tenderers as the late Government did during the same period of time. "In other words," said he, "out of nineteen millions in tenders that were sent in to us we gave contracts to the lowest tenderers to the amount of sixteen millions, whereas by Sir John's Government the lowest tenderers were accepted only to the amount of six or seven millions out of twenty or twenty-one millions in tenders that were sent in." That statement is very plausible on the face of it. To enable one to understand its real value, however, it is important to remember that an entirely different system has been introduced by Mr. Mackenzie. There may be difference of opinion as to the value of that system,

and much can be said on both sides. When the opportunity comes, as come it will, after the general elections, for the Conservatives to examine into the manner in which it has been carried out, it will be seen in all probability that it has been used to a considerable extent as a weapon wherewith to help friendly contractors, and to discourage those who were supposed to be less friendly or positively hostile. Under the plan of the late Government the field was open to anyone to tender, the poorest as well as the richest. No deposit was required; all that was asked was sufficient sureties, and the contractor was permitted to use whatever capital he possessed in carrying on the work, instead of having it lying idle with the Government in the form of a deposit. The result was that a great many people tendered, who were afterwards unable to furnish sufficient security, and as a consequence had to be passed over for those tendering at a higher price. Mr. Mackenzie adopted a rule under which five per cent on the amount of the contract had to be deposited, in addition to a deposit in money, of a fixed sum with the tenders, subject to forfeiture in the event of the party refusing to accept the contract at the price tendered for. Under such a system there should have been no cases of letting contracts to other than the lowest tenderers, and yet it is admitted in the statement of Mr. Mackenzie,

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which must be taken, like all his statements, with great allowance, that over three millions worth of contracts have not been let to the lowest tender. It would be interesting to know in how many of these cases the deposits has been forfeited? It would be still more interesting to know in how many cases of contracts let, the deposit has, in the case of political friends, been pleasantly arranged.

We have, fortunately, evidence to show that whatever the merits of this new system, it has resulted in loss to the country. When the late Government went out tenders had been invited, and were in the department for several sections of the Welland Canal. Had the late Government chosen they could have awarded the contracts, but as Parliament was about meeting they did not do so. Here is a statement of the several tenders sent in which Mr. Mackenzie found in his department when he took office:—

Section 2.....	\$325,000	} Not awarded in 1875, on new advertisement.
“ 3.....	291,000	
“ 5.....	266,825	
“ 6.....	70,000	
“ 7.....	251,770	
“ 12.....	302,500	
“ 13.....	270,950	
“ 14.....	271,950	
Total.....	\$2,049,955	

When Mr. Mackenzie came into office, he set aside these tenders, and advertised anew for all the sections except section twelve, which was not let until a year afterwards. He required the five per cent deposit, and as a result, the lowest tenders were, in the aggregate, nearly a quarter of a million dollars higher than those received by the late Government, and set aside by the present Minister:

Tenders received by the late Government.	Tenders received by present Government with five per cent. security.
Sec. 2.....\$325,000	ec. 2.....\$396,565
“ 3..... 291,000	“ 3..... 328,415
“ 5..... 266,825	“ 5..... 312,465
“ 6..... 70,000	“ 6..... 68,000
“ 7..... 251,770	“ 7..... 284,935
“ 13..... 270,950	“ 13..... 313,160
“ 14..... 271,950	“ 14..... 292,395
Total.....\$1,747,495	Total.....\$1,994,935
	1,747,495
	Difference....\$247,440

This was Mr. Mackenzie's first experience of his new system, which was to prevent bogus tendering, and enable the Government to award contracts to the lowest tender. It will be admitted that if it does not produce this effect, it was not worth while to make a change, the effect of which, in the very nature of things, was certain to lead to higher prices being paid. And yet at this very first effort the contract in the case of five out of the seven sections was not given to the lowest tender. Here is the statement from the official record:—

Lowest Tenders Received by Mr. Mackenzie's Government, 1875.	Tenders at which the work was awarded.
Sec. 5.....\$ 312,465	Sec. 5.....\$ 352,000
7..... 284,935	7..... 327,580
13..... 313,160	13..... 325,490
14..... 292,395	14..... 321,972
\$1,201,955	\$1,327,042
	1,201,955
Increase over lowest tenders, as awarded.....	\$126,087

So that these contracts were let at \$372,527, or over twenty-one per cent. above the tenders which Mr. Mackenzie found in his department when he took office. That was not a promising beginning for his new system from which such important results were to be obtained. That was not the only feature of this matter which indicated that Mr. Mackenzie began early the method which has characterised his administration of this feature of his department since that time. The law requires that where the lowest tender is not accepted, any other can only be accepted by order in Council, based upon a report of the minister setting forth the reasons for a departure from the ordinary rule. In the case of these tenders there were special reasons for favouring certain gentlemen in the West, and, as a consequence, we find that, for section two, the contract was awarded to Merrick & Co., of Toronto, although they stood only fifth on the list, there being four tenders lower, without any report from the Minister, and without any order in Council. We find that section seven was awarded to Higgins & O'Sullivan, who stood fourth on the list, without report from the Minister, and without order in Council. And we find that the contract for sec-

tion thirteen was awarded to Ginty & Dickey, although there were two tenders in lower than theirs. The facts are from statements furnished by Mr. Mackenzie himself. What would appear if the records of the department were searched by an unfriendly hand, as has been in the case in the evidence adduced to sustain charges against the late Government, will not be known until after the elections.

The *Ottawa Citizen*, being on the spot where contractors most do congregate, has some details in relation to these contracts, which are worth giving:—“The letting of section 1, Welland Canal, in 1875, was one of the first pieces of chicanery. The tenders for this work having been received, it was found that Messrs. Denison, Beldon & Co., who already had an important contract on that canal, were found to be the lowest; these parties having made the necessary deposit of 5 p. c. security, the agreement was drawn up and sent to them to be signed, which they did. In the meantime Capt. Patrick Larkin, of St. Catharines, having been informed that his was the next lowest tender to Messrs. Denison, Beldon & Co., hastened to Ottawa to inform the Government that alleged serious charges had been made against them in the United States in connection with some contracts they had on the Erie Canal, and represented how damaging it would be to the Government to employ such men to do public works, at the same time hinting, in a casual way, that if Mr. Neelon could only secure the Catholic vote in Lincoln, his election, which was about to take place, would surely be won, that he himself as an Irish Catholic would vote for him, and do all in his power to secure his return. Honest Mr. Huntington, then acting Minister of Public Works, who, of course, did not understand the meaning concealed in the professions of fealty of the wily Captain Larkin to his party, naturally enough burned with indignation at the idea that a Government of which he formed part, should, for a moment, have to employ men of questionable integrity. He for one would not tolerate it, and as Mr. Scott also was horror-stricken when aware of the peril they were running, it

was decided to send for Messrs. Denison, Beldon & Co, which was done as follows by telegraph:—

“*Chas. L. Raynor, St. Catharines.*

“Acting Minister of Public Works, wishes to see you immediately; Chief Engineer has informed him of your visit to Ottawa. Minister regrets he did not see you. It is most important in your own interest that minister should see you.

“(Signed,) SEC. PUB. WORKS.”

“In order that the electors may understand why the despatch was addressed to Mr. Raynor, it should be explained that Mr. Raynor was the ‘Co.’ of the firm of Denison, Beldon & Co.

“Mr. Raynor on the receipt of this telegram, at once proceeded to Ottawa. On his arrival he went to the department, and was confronted by Mr. Buckingham, who informed him, that on account of the charges against their firm in the States, the Government desired they should withdraw their tender for section 1, else an order-in-council would be passed, taking the contract from them, and stating the reasons why, *which would have to be published in the Official Gazette, thereby injuring their credit in connection with their other work.* Mr. Raynor replied to this that ‘he had never been associated with Messrs. Denison, Beldon & Co., before he was awarded work in Canada, that he was the only member of the firm having charge of the work, consequently he could not see how the charges of which Mr. Buckingham made reference, could affect him, besides, he understood these charges were made solely for political capital at the approach of the Presidential election.’ He then asked to see the acting Minister of Public Works, but was informed that he ‘*had been suddenly called to Montreal,*’ and had left in the morning. He then asked to have the matter laid over until the return of the Minister of Public Works, but was informed that no delay could be given; that he must either withdraw his tender or else the order-in council would be passed that afternoon. Mr. Raynor having no knowledge of the working of Government matters in this country, took it for granted that these threats would be

carried into execution, and rather than have his reputation injured by such an order-in-council being published, he submitted, under protest, and wrote a letter withdrawing his tender and left for his hotel. His surprise may be imagined when on reaching the foot of the stairs he met the acting Minister of Public Works face to face! Indignant at being so duped, Mr. Raynor, before leaving Ottawa, wrote another letter, cancelling the one withdrawing his tender, and subsequently entered a protest against such treatment; also asking that the award of that work be delayed until the return of Mr. Mackenzie to Ottawa, and asking for an investigation into the matter. The letter was, of course, ignored. Mr. Larkin having succeeded so far, it only remained for him to get the work, but in looking at the tenders it was found that, after all, his was not the second lowest tender, Mr. Kenneth Mackenzie being next to Messrs. Dennison & Co. But how about Mr. Neelon and the Catholic vote? The difficulty was soon overcome by adopting the happy expedient of giving Mr. Larkin the work at Messrs. Dennison, Beldon & Co.'s prices—which was done.

"Next comes section 5 of the Welland Canal. The first and second lowest tenders not having been accepted for the work, it should have fallen to Macdonald & Tabb, who, however, were *ignored*. The fourth lowest were A. P. Macdonald & Co., who were *also ignored*, Mr. Mackenzie remarking, in passing over these items, that '*the country had had enough of them.*' (Of course, they are Conservatives.) If such was the case, how was it that in 1876 we find Mr. Mackenzie offering that same gentleman (A. P. Macdonald) a section on the Canada Pacific Railway at \$1,500,000? How can he reconcile his actions in these two instances? Would it be that in the first instance it was due to Mr. Merrick, of Toronto, being the next lowest, and to whom the work was subsequently awarded? Before the contract was passed, Mr. Merrick sold out his interest. Mr. Mackenzie had no other reason for acting as he did in the matter. The best proof is that he did not dare to face the Council on the subject, consequently there was *no Order-*

*in-Council* passed, although the law requires such a course. Next comes section 13 of the Welland Canal. This was offered first to P. Purcell, the fourth lowest tenderer, for \$330,735, which he refused. The work was then offered to the lowest tenderer, Hartwell, of St. Catharines, for \$313,160. Why was it not offered to the lowest bidder at first? If more contracts have been given to the lowest bidders by Mr. Mackenzie than by his predecessors, this instance shows that he does not deserve any credit for it. The work was finally awarded to the third lowest tender for \$325,490. We should state that the lowest bidder, Hartwell, offered the necessary securities of 5 per cent. in real estate, which, for reasons best known to Mr. Mackenzie were refused; cash securities were then offered, provided the Government would allow him to assign the whole of his interest to one Peterson, of Lockport, N. Y. This was refused, too, on the plea that the Department could only deal with parties tendering (it was more likely on account of not being one of the "faithful.") Yet, we find a few months later, Mr. A. B. Foster buying the contract for the Georgian Bay Branch Railway, amounting to MILLIONS, the transfer being granted on the presentation by Mr. Foster of a letter purporting to be from Mr. Munson, the lowest tenderer, which letter went on to state that the latter had sold all his interest to the former! Why was not elasticity extended towards Hartwell, thereby saving the country \$12,000, the difference being Hartwell's bid, \$313,000, and the price at which the section was awarded, \$325,490? During the same month a year after—1875, this section was let, contract No. 4 Canadian Pacific Railway Telegraph Line, was awarded to Oliver, Davidson & Co., for \$243,250, although they had not put in any tender for the work. The tender on which the work was awarded is that of Sutton & Thompson. *There is not a single line on record* to show that Sutton & Thompson sold out their interest in the matter, save a small note addressed to Mr. S. Fleming, by Oliver, Davidson & Co., but as Sutton & Thompson were never notified that the work was awarded to them,

how could Oliver, Davidson & Co. know which tender to buy out of the large number received by the Government? There is *no order-in-council* about it either, the whole affair is wrapped in mystery. The only thing which is known is that the firm are GOOD FRIENDS OF THE GOVERNMENT, which was well demonstrated at the Kaministiquia land enquiry. The company included P. J. Brown, a lawyer of Ingersoll, who was appointed by the Department of Justice, agent in the expropriation of lands at Fort William, for the railways. It will be remembered that nearly one-half of the lots at the Town Plot, purchased by the Government, were the property of Davidson, Mr. P. J. Brown's partner."

These statements, about the strict accuracy of which there can be no doubt, attest the manner in which Mr. Mackenzie has acted upon his own statement, that "THE LOWEST TENDERS SHOULD ALWAYS BE ACCEPTED, and that the people were *robbed of their hard earned taxes when a Minister of Public Works conferred upon partisans and favorites contracts that legitimate tenderers offered to take at a lower figure.*"

There are other cases which may be briefly enumerated. The matter in which the principles then laid down as that which should govern the central system, were violated in the steel rail purchase, have been dealt with in a former paper. The Palen tender for the Gatineau booms forms a case in which the lowest tender was rejected, on the specious ground that it was not in the Post Office before twelve o'clock as required, after it had been awarded by an officer of the department, and work actually commenced. In that case, the gentleman who got the contract ultimately, at a higher price, had been strongly recommended by Mr. Mackenzie's colleague, Mr. Scott, and a number of the prominent Ministerialists of Ottawa. A committee of the Senate investigated the case, and reported that Palen should have had the contract, and recommended that he be compensated for his loss in not getting it.

The Goderich Harbor contract was given to Mr. Moore, although his tender was \$30,000 higher than that of Mr. J. S. Tolton, who was the lowest tenderer. Mr.

Moore was once an active Conservative in the County of Bruce, who turned his coat when Mr. Blake first contested the South Riding of that county, and was elected by a majority of only seven, that majority being more than accounted for by Mr. Moore's efforts in his behalf. Among the papers brought down in connection with this matter, is the following from Mr. Blake to Mr. Mackenzie:—

"TORONTO, Jan. 2nd, 1874.

"MY DEAR MACKENZIE.—David Moore, of Walkerton, asks me to inform you that he is about to tender for the Goderich works, and I do so accordingly. I told my friend Moore that an introduction was unnecessary, as you would let the work fairly without respect of persons."

"EDWARD BLAKE."

Whether the contract was given to him because of that letter or not, it is certain that it did him no harm, seeing that he got it at \$212,600, when there was a tender in from a reliable contractor, offering to do the work at \$182,600. When the papers were asked for in Parliament in connection with this matter, there was not a scrap of a pen in the department to show why Mr. Tolton's tender had been passed over. Mr. Mackenzie then asked a report from Mr. Page on the subject, who stated that they had endeavored to get some particulars about Tolton, but were unable to find anything about him. And yet, at the very time that this contract was let, and when Mr. Page says the Department could find out nothing about him, Mr. Mackenzie had in his possession the following telegram from Mr. David Stirton, one of his most faithful supporters in the House of Commons, dated January 4th, 1874:—

"The Hon. Alex. Mackenzie, Minister of Public Works, Ottawa:

"I understand that John Tolton, of Walkerton, has tendered for the Goderich harbor works. Mr. Tolton is a thorough, practical, honest, and reliable man, financially able and accustomed to the construction of public works. The securities named are reliable and sound men."

"D. STIRTON."

And he had a similar telegram from Mr. Sproat, the manager of the Merchants' Bank at Walkerton, vouching for his ability to perform any work he would undertake. More than this: AT THE VERY TIME HE WAS, AS IS ALLEGED, UNKNOWN TO THE DEPARTMENT,

HE WAS EXECUTING A SIMILAR CONTRACT AT MEAFORD HARBOUR, AND THE REPORT OF THE ENGINEER IN CHARGE, EMBODIED IN THE PUBLIC WORKS DEPARTMENT'S REPORT, REFERRED TO THE MANAGER IN WHICH HE WAS PERFORMING THE WORK IN THE MOST COMPLIMENTARY TERMS. Thus were thirty thousand dollars of the people's money squandered to reward a renegade conservative for his services to the Clear Grit party, in electing Mr. Blake, for South Bruce.

We had an illustration in the case of section three of the Lachine Canal, of how the deposit is made to work for the interest of political friends. Mr. James McShane, Jr., put in the lowest tender, the next being \$30,000 higher. But Mr. McShane was evidently not serious. He withdrew as soon as he found out who the next lowest was, and the \$3,000 deposit, which, under the regulations of the department, should have been forfeited, was returned to him, as Mr. Mackenzie afterwards explained, "through inadvertence." That, the reader will remember, was the excuse put forward for the illegal printing jobs given to Mr. Speaker Anglin.

In the case of the Examining Warehouse in Montreal, the lowest tender was also ignored. The Government were anxious to give the contract to Bourgoin & Lamontagne, for important services rendered by them in the county of Hochelaga. Mr. Martin's tender was the lowest, and he was informed of the fact by the Department, and asked to have his sureties ready. But the Committee who run the Government and its contracts in Montreal made up its mind that this would never do, and Messrs. Bourgoin & Lamontagne were permitted to change the figures as to extra masonry required in the foundations and in this way secured the contract. Taking the figures of the two tenders as finally changed by the favorites, and the quantities actually allowed, the result has been a loss of several thousand dollars to the country, simply that political friends might be rewarded.

Then the contracts for the harbor improvements in Quebec were manipulated

so that the lowest tender was passed over and the contract given to Messrs. Peters & Co., who were the favorites. A recent trial in Montreal let in a flood of light upon this matter, showing that the awarding of this contract involved certain private arrangements with those awarding it. The same thing was attempted in the case of the graving dock. But the elections being near at hand, Mr. Mackenzie had to interfere. Even then, however, instead of giving the contract to the lowest tender, as in all fairness should have been done, new tenders were advertised for, and the advantage given to others, after the figures of the tenders previously sent in had been made known. But the interference of Mr. Mackenzie in the case of the graving dock, makes him responsible in the case of the harbour improvements, and for the loss in that case in not accepting the lowest tender.

In connection with the Pacific Railway, and the Pacific telegraph, there have been numerous instances of favouritism in the awarding of contracts, resulting in loss to the Dominion. Section one of the Telegraph line was awarded to David Glass & Co. for \$107,850, when Mr. Fuller offered to do the same work at \$38,750. That there was no ground for objection to the lower tender arising out of supposed unfitness of Mr. Fuller, is proved by the fact that he was awarded the contract for section two, and completed the work, though more remote, before that on section one was finished. By this, \$69,000 were thrown away; but a political renegade, David Glass, was rewarded for his treason to his own party.

Mr. Glass has written a letter to the papers to say that the statement—with the figures as given above—is inaccurate. In answer the *Ottawa Citizen* gives the following as the facts of this case, and no attempt has been made to dispute their accuracy:—"Tenders for the construction of 250 (not 300, Mr. Glass) miles of telegraph line from Fort Garry to Livingstone, opposite Fort Pelly, were called for in 1874. Fifteen tenders were received. Amongst these, those of Mr. Fuller and Messrs. Selton & Co. Upon coming to Ottawa, Mr. Fuller was informed that the line must be carried north of the Riding

Mountain. He replied that if the line must go north of that mountain, he would ask as extras, \$20 per acre for such clearances as might be necessary. This would have made his tender about \$54,750 instead of \$38,750. as the specifications clearly stated, (see returns to House of Commons, April 1st, 1876) that the length of the line was 250 miles with two hundred miles of wooded and fifty miles of prairie. The necessity of going around the stone mountain made a difference of 50 miles additional woodland to be traversed, or 800 acres, which as before stated, at \$20 per acre, would have added \$16,000 to Fuller's original tender. But, no. Messrs. Sefton, Glass and Fleming were awarded the contract at \$107,850—and the country lost \$53,000!"

A favorite way of securing "a soft thing" for friendly contractors, is by changes in the works after the contracts are let, opening the doors for extras, which can always be arranged without difficulty. The works on the Grenville canal afford a striking illustration of this. The works on the St. Peter's canal, in Nova Scotia, furnish another illustration. And the Purcell contract, or the Pacific

Railway, is also a case in point. The result in this latter case is a loss of nearly three hundred thousand dollars.

These are instances which, in spite of the efforts of the department to keep back information, have been brought to light. When the manner in which the contract system has been administered comes to be considered in the light of the open records of the department, it will be seen how little justification there is for Mr. Mackenzie's statement when addressing his electors last year:—"I assert, in the first place, that since the inauguration of the present Government, the most *scrupulous care* has been taken to have the contract system so administered that it would be difficult, IF NOT IMPOSSIBLE, for public contractors who are friends of the Government to obtain any advantage, or that public contractors, who are opponents of the Government, should suffer any wrong in the administration of that department." It will be found, on the contrary, that the one consideration in awarding contracts under this Government has been the rewarding of friends and the purchase of opponents, regardless altogether of the public interests.

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