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# THE NINETEENTH-CENTURY NEGOTIATIONS FOR CONFEDERATION OF NEWFOUNDLAND WITH CANADA

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THE recent historic decision of Britain's "Oldest Colony" to enter the Canadian federation has naturally revived the interest of historians in the earlier and unsuccessful negotiations for the confederation of Newfoundland with the Dominion of Canada. It is the purpose of the present paper to sketch the course of these negotiations and, in particular, to try to explain why Newfoundland rejected union in 1869 and again in 1895.

Newfoundland was not represented at the Charlottetown Conference held in September, 1864, although Sir Hugh Hoyles, her prime minister, had, at the last moment and almost by chance, been invited to attend in an unofficial capacity. At the Quebec Conference, however, she was represented by two delegates, Frederick Carter, speaker of the House of Assembly, and Ambrose Shea, leader of the Opposition. The instructions issued to this bi-partisan delegation emphasized that the delegates had "no authority in any way to bind or pledge either the Government or the Legislature to the proposed Union" and that they were "authorized merely to discuss the subject in its various bearings, with the other delegates, reporting fully to this Government as may be necessary, but reserving to the Newfoundland Legislature the fullest right and power of assenting to, dissenting from, or, if advisable, of proposing modification of any terms that may be proposed. . . ."<sup>1</sup> Moreover, there was a marked inferiority in the political standing of the Newfoundland delegates as compared with those from the other colonies. Neither of Newfoundland's delegates was a minister of the Crown, while every other colonial delegation included the colonial premier and other members of the executive. Indeed, in the case of Canada, all the delegates were members of the executive. It was obvious, quite apart from the restraints imposed by their instructions, that the Newfoundland delegates were politically impotent to commit the Newfoundland government or legislature. Both delegates gave warm personal support to the general proposal of federation. "I like," said Carter in the Conference, "the grandeur and magnitude of the scheme."<sup>2</sup> In a public address at Montreal, Shea spoke of the project as being "charged with so high a mission of grandeur, whose future it was impossible for the wildest imagination to overestimate."<sup>3</sup>

Newfoundland was deeply interested in two cardinal questions, namely, the financial terms of union and her representation in the proposed general legislature. With regard to the former, the following offer was made to her: (1) As her public debt was lower per caput than

<sup>1</sup>*Journals of Newfoundland House of Assembly, 1865*, app., 848; R. Carter, acting colonial secretary to F. B. T. Carter and A. Shea, Sept. 19, 1864. See also R. A. MacKay (ed.), *Newfoundland: Economic Diplomatic and Strategic Studies* (Toronto, 1946), 418.

<sup>2</sup>Joseph Pope, *Confederation: Being a Series of hitherto Unpublished Documents* (Toronto, 1895), 60.

<sup>3</sup>Edward Whelan, *The Union of the British Provinces* (Charlottetown, 1865), 108.

that of Canada, Nova Scotia, or New Brunswick, she was to receive from the general government the interest at 5 per cent on the difference between her debt at the time of union and the average amount of indebtedness per caput of these three colonies. This item would have amounted to \$115,000 per annum. (2) As her taxing powers, like those of the other provinces-to-be, would be limited to licences and to unpopular direct taxation, she was to be paid an annual subsidy of 80 cents per head of population based on the census of 1861. This was declared to be "in consideration" of the transfer of general powers of taxation to the general legislature and "in full settlement of all future demands" on that body. As Newfoundland's population was assumed to be 130,000, this proposal would have provided her with a revenue of \$104,000. (3) Newfoundland was to receive an additional \$150,000 per annum as compensation for her surrender to the general government of all her rights in mines, minerals, and ungranted and unoccupied Crown Lands. Altogether, she would have received for the purposes of provincial administration an aggregate annual grant of \$369,376 from the general government. Furthermore, the latter, by assuming various departmental and service charges, would have relieved Newfoundland of expenditures amounting to \$100,000 per annum. The estimated costs of government to Newfoundland under the new scheme amounted to only \$250,000. She could therefore expect an annual surplus of \$126,000. No other colony stood to gain such immediate financial advantages.

Under the proposed scheme of representation, Newfoundland would have been entitled to elect seven members to the House of Commons. Shea protested, however, that the latest census of Newfoundland had been taken in 1857 and that her population had grown since then. Accordingly, he proposed eight members, and although the minutes do not indicate that the motion was formally changed, the notes on the discussion show no opposition to his proposal.<sup>4</sup> The regional plan of representation in the Senate was to be modified so as to give Newfoundland four senators. Under this arrangement, Newfoundland, although allotted fewer members in the Senate in proportion to population than New Brunswick or Prince Edward Island, would have had a representation approximately equivalent to that of Upper Canada or Nova Scotia. With this proposal, the Newfoundland delegates appear to have been in agreement.

When the Newfoundland legislature opened for the session of 1865, Carter and Shea presented a joint report in which they stressed the many advantages of union. In the general election of November, 1865, Carter led the newly-formed confederate party to victory. The new Government, however, was dismayed by the anti-confederate trend in the maritime colonies and decided to adopt a cautious policy of non-commitment despite the pro-confederate exhortations of Governor Musgrave. On March 8, 1866, it set the seal on its fatal policy of inaction by carrying a resolution in the House against an immediate resumption of the confederation discussions.<sup>5</sup> The approval of confederation by the Assembly of Nova Scotia in the following month failed to move the Carter administration from its attitude of "wait and see." The turn of the tide in favour of confederation in New Brunswick in June came

<sup>4</sup>Pope, *Confederation*, 68.

<sup>5</sup>*Journals of Newfoundland House of Assembly*, 1866, 68.

too late to influence the Newfoundland Legislature, for its session had already closed on May 1, without any clear-cut definition of policy.

Because of the temporizing and vacillation of the Carter Government, Newfoundland was not represented at the decisive London Conference in December, 1866. Governor Musgrave was, however, present at the opening of the first parliament of the new Dominion in November, 1867, and on his return to St. John's he assured the legislature that Canada would accept any reasonable terms that Newfoundland might propose as a condition of entering the union. However, the Government again failed to force the issue and, in the legislative session of 1868, the whole question of confederation was eclipsed by the renewal of the chronic French Shore controversy.

In the session of 1869, however, the confederation issue was vigorously re-opened by the Government. On March 5, the committee of the whole presented a report embodying the terms which Carter proposed to submit to Canada. The report made some new demands on the Dominion in connection with an increased payment for Crown Lands, the encouragement of Newfoundland's fisheries and their protection against discriminatory taxation, the provision of steamship services between Newfoundland, Great Britain, and Canada, and the substitution of a naval reserve for the establishment of a militia service. In the main, however, the terms proposed in the report were identical with those which the Quebec Resolutions had offered to Newfoundland.

Despite bitter criticism by the Opposition leaders, Hoggset, Glen, and Talbot, the Carter Government finally secured the adoption of the report by seventeen votes to seven after a week of heated debate.<sup>6</sup> The confederation proposals were then submitted to Canada and were accepted with minor amendments. Carter led a delegation to Ottawa and reached complete agreement with the Canadian Government. The Canadian parliament, which had prolonged its session for the purpose, immediately embodied the agreement in an Address to the Queen, praying for Newfoundland's admission to the Dominion under Section 146 of the British North America Act. In fulfilment of its pledge, the Carter Government referred the whole question to the Newfoundland people in the general election held in the fall of 1869. That election was fought exclusively on the confederation issue and the Carter Government was decisively defeated, winning only nine seats to the anti-confederates' twenty.<sup>7</sup>

The overwhelming victory of the anti-confederate party was due, among other factors, to the supreme electioneering skill of Charles Fox Bennett, a born propagandist who had not declared himself on the confederation issue until after the end of the legislative session of 1869. He did not scruple to play on the fears and passions of the more ignorant elements of the electorate. His dynamic personality infused new life into the anti-confederate movement and made it irresistible. The reasons for Newfoundland's rejection of confederation were, however,

<sup>6</sup>MacKay, *Newfoundland*, 435.

<sup>7</sup>G. F. G. Stanley, "Sir Stephen Hill's Observations on the Election of 1869 in Newfoundland" (*Canadian Historical Review*, Sept., 1948, 282), Hill to Granville, Nov. 20, 1869. For a detailed discussion of the election of 1869 see H. B. Mayo, "Newfoundland and Confederation in the Eighteen-Sixties" (*Canadian Historical Review*, June, 1948, 125-42).

deeper than dissatisfaction with the terms offered and wider than the influence of Bennett's unscrupulous propaganda. These reasons may be summarized as follows: (1) The principal markets for Newfoundland's staple exports were in Europe, not North America; there was little trade between Newfoundland and Canada, and what there was consisted almost entirely of imports into Newfoundland, except for Newfoundland fish exported *via* Nova Scotia. Moreover, there was little expectation that confederation would increase the volume of Newfoundland's exports to Canada. Indeed, the increasing commercial ascendancy of the St. John's merchants in the island's trade would be menaced by stiffer competition from the mercantile interests of the mainland. (2) While it is true that Newfoundland would have welcomed improved communications with the mainland, she could not hope that they would enable her to share in the exploitation of the largely untapped resources of half a continent—a prospect which the extension of railway transportation facilities opened up to the mainland provinces. (3) Even the financial terms of union, which were much more generous than those offered to the other provinces, had little attraction for Newfoundland, because her public finances were in a singularly healthy condition at that time. (4) The greater military security which the mainland provinces derived from confederation made no appeal to Newfoundlanders. On the contrary, the argument of defence acted as a boomerang there. Newfoundlanders had no wish to become entangled in Canada's foreign quarrels. France, not the United States, was their only potential enemy at the time. It was to Great Britain rather than to Canada that they looked for diplomatic and, if necessary, naval, support against French pretensions on the Treaty Shore.

The reaction of Colonel Hill, Musgrave's successor as governor of Newfoundland, revealed that the result of the election was a disappointment to the Government of the United Kingdom. Indeed Hill's zeal to bring about confederation had become such an obsession that he even proposed to the Government of Canada that Newfoundland be forcibly incorporated into the Dominion by an act of the imperial parliament. Fortunately, Macdonald refused to countenance this proposal. In a letter to the governor-general, Macdonald declared "it would never do to adopt Colonel Hill's suggestion. . . . There can be no doubt of the power to do so, but the exercise of it would seem to me very unadvisable. We have had an infinity of trouble with Nova Scotia, although both the Government and the Legislature agreed to the union, because the question was not submitted to the electors. We have, at a large cost, settled that difficulty. The case would be much worse in Newfoundland, where there was a dissolution, and an appeal to the people for the express purpose of getting their deliberate opinion for or against the union. They have decided for the present against it, and I think we should accept their decision."<sup>8</sup>

It was not until 1895 that the confederation question was again seriously raised in Newfoundland. In that year, Newfoundland's financial position was very different from what it had been in 1869. Newfoundland, which had not fully recovered from the effect of the St. John's fire of 1892, was almost completely engulfed by a disastrous

<sup>8</sup>Joseph Pope, *Memoirs of the Right Honourable Sir John Alexander Macdonald* (2 vols., Ottawa, 1894), Macdonald to the governor-general, Dec. 8, 1869.

financial crisis precipitated by the bank crash of December, 1894.<sup>9</sup> The crisis was all the more serious because one of the banks involved—the Union Bank—acted as the financial agent of the Newfoundland Government. Indeed, arrangements had been made with that bank to provide the half-yearly interest (about \$225,000) on the public debt payable in London on January 1, 1895. The Newfoundland Government was confronted with the impossibility of meeting this interest payment unaided. The Government of the United Kingdom refused to give any financial assistance—apart from a small grant to relieve immediate distress—unless the Newfoundland Government accepted the appointment of a royal commission of enquiry with power to make constitutional as well as financial recommendations.<sup>10</sup> Sir William Whiteway, Newfoundland's prime minister, declined this condition as he feared that the commission would report in favour of the abolition of responsible government and a reversion to colonial status.<sup>11</sup>

Having exhausted every other possible resource, the Whiteway Government reluctantly turned to confederation as a last expedient. The Canadian Government welcomed Whiteway's proposal for a resumption of negotiations. The conference opened at Ottawa on April 4 and lasted until April 16. The Canadian delegates were the prime minister, Sir Mackenzie Bowell, Sir Adolphe Caron, George E. Foster, and John Haggart. Newfoundland was represented by the colonial secretary, Robert Bond, E. P. Morris, George Emerson, and William Horwood.

The most serious stumbling-blocks were debts and subsidies. With regard to the former, Newfoundland proposed that Canada assume the island's debt to the extent of \$50.00 per caput (approximately the per caput debt of the Dominion at that time), and that Canada pay interest at 5 per cent per annum on the amount by which Newfoundland's debt was less than the allowed total of \$50.00 per caput, as had been done in the case of each province whose debt allowance exceeded its debt. Unfortunately, differences arose over the amount of the island's debt. The funded and floating debt amounted to \$11,247,534, and contractual obligations with respect to the railway (grants for construction and capitalized subsidies for operations) amounted to \$4,582,300, making an aggregate of actual debts and commitments of \$15,829,834. It was contended by the Newfoundland delegates, however, that the railway represented an asset, and that the costs of railway construction, amounting to \$9,553,000, should therefore be deducted from the gross debt. This proposal would have left Newfoundland with a net debt of only \$6,276,534, which would have been less than the debt allowance of \$50.00 per caput by \$4,073,466. On this last amount, Newfoundland claimed, she should be paid 5 per cent interest yearly. Canada refused to assume the aggregate debt and obligations of \$15,829,834, but offered to take over the debt to the extent of \$10,350,000 (approximately \$50.00 per caput) and in addition to pay to Newfoundland interest at 5 per cent on \$2,000,000.

In the matter of subsidies, the Newfoundland delegation followed the precedent of the Quebec Conference of 1864 in proposing to vest her

<sup>9</sup>D. W. Prowse, *A History of Newfoundland* (2nd ed., London, 1896), II, 145-6.

<sup>10</sup>See *United Kingdom Parliamentary Papers*, H. C. 104, Mar., 1895, no. 13.

<sup>11</sup>*Ibid.*, nos. 16 and 21-3. See also *Journals of Newfoundland House of Assembly*, 1894-5, 126.

Crown Lands in the Dominion in return for special subsidies. The sums proposed were \$150,000 annually for the Crown Lands in Newfoundland proper, and another \$100,000 for the Crown Lands in Labrador, an item which had been overlooked in the earlier negotiations. In addition, the Newfoundland delegates requested the subsidy customarily paid to the provinces of 80 cents per caput, and a "lump sum" subsidy of \$50,000 for the upkeep of government and legislation. Finally, a specific request was made for a further subsidy of \$150,000 annually as a bounty for Newfoundland fishermen "to offset in part the great loss to the Colony from foregoing the Bond-Blaine Convention" which Canada had successfully opposed. Canada accepted all these proposals except the obligation to pay \$100,000 annually for the Crown Lands in Labrador and the commitment to pay the fisheries bounty of \$150,000 per annum. Altogether, the annual subsidies offered by Canada, including the 5 per cent interest on the \$2,000,000 excess debt, totalled \$465,000.

Confronted with this offer, the Newfoundland delegates paved down their budget estimates for "provincial" services from the original sum of \$738,594 to \$650,000. Even so, Newfoundland was faced with a prospective deficit of almost \$200,000 per annum, quite apart from the cost of servicing a residuary debt of over \$5 million. The Newfoundland delegates pointed out that the dual obligation of meeting the deficit on ordinary provincial expenditure and of shouldering the burden of the residuary debt was a task far beyond the island's resources. As the Canadian delegates were not prepared to improve their offer, the Conference was abandoned on April 16.<sup>12</sup>

An appeal was made by the Canadian Government to Great Britain to bridge the gap between Newfoundland's needs and Canada's offer.<sup>13</sup> The Canadian memorandum to the British Government concluded by stating that all that was required of the United Kingdom was to provide £1 million to extinguish the residuary debt, as Newfoundland had found that she could just manage, by rigid economy and higher taxation, to finance her ordinary provincial expenditure on the allowance of \$465,000, provided she did not have to meet any debt charges. This appeal to London was unavailing.<sup>14</sup> The Canadian Government then made a last but unsuccessful gesture. It offered to supplement its previous proposals by a subsidy of \$6,000 per mile to assist in the extension of Newfoundland's railway from the Exploits River to Port aux Basques, and by an addition of \$35,000 to the annual allowance for provincial administration.<sup>15</sup> Newfoundland was obliged to reject this inadequate offer.

Thus the opportunity to round-out the Dominion in the east was lost for the sake of a paltry \$5 million. At the eleventh hour Newfoundland was saved from default by the personal efforts of Bond,<sup>16</sup> but for a

<sup>12</sup>For the report of the Ottawa Conference see *Journals of Newfoundland House of Assembly*, 1894-5, App., 373-422.

<sup>13</sup>*Ibid.*, 423, Aberdeen to Ripon, Apr. 16, 1895. This letter and other documents relating to the 1895 negotiations will be found in G. F. G. Stanley, "Further Documents Relating to the Union of Newfoundland and Canada 1886-1895" (*Canadian Historical Review*, Dec., 1948, 370-86).

<sup>14</sup>*Journals of Newfoundland House of Assembly*, 1894-5, 432, Ripon to Aberdeen, May 9, 1895, enclosed in Melville to Whiteway, May 22, 1895.

<sup>15</sup>*Ibid.*, 422, Bowell to Whiteway, May 11, 1895.

<sup>16</sup>*Ibid.*, July 4, 1895, 126.

generation, Newfoundlanders could neither forgive nor forget the seeming indifference of the Canadian Government to the fate of the island.

#### DISCUSSION

*Mr. Stanley* said that he was struck by the contrast between the attitude towards union of the commercial class of St. John's in 1869 and that in 1948. In the earlier period the Water Street merchants were, for the most part, the strongest supporters of union. Charles Fox Bennett was looked upon as a traitor to his class. In 1948 the chief support for union came from the people of the outports who had previously opposed it; and the chief opposition to union came from the mercantile class which had previously supported it. *Mr. Stanley* asked *Mr. Fraser* to comment upon the attitude of the Irish element in Newfoundland to confederation. *Mr. Stanley* said that Sir William Whiteway's approaches to Canada in 1895 were received with studied coolness by Sir Mackenzie Bowell because the Newfoundland leader had prefaced his overtures with a request for loans totalling \$550,000 and for Bowell's intercession with the imperial government to obtain the assent of the governor of Newfoundland to a colonial bill removing the disabilities of members unseated during 1894 for alleged corrupt practices.

*Mr. Fraser* said that the Irish had always been strongly anti-confederate. Charles Fox Bennett had made great political capital of the unpopular Anglo-Irish Union of 1800 and had played with success upon Irish animosities towards England. *Mr. Fraser* said that Bowell's non-committal replies to Sir William Whiteway probably explain why the Newfoundland delegation which went to Ottawa in 1895 was headed by Sir Robert Bond and not by the premier, Whiteway. He agreed with *Mr. Stanley's* remarks about the attitude of the mercantile class towards union. He added that a small number of merchants, after giving their support to the continuation of the Commission Government during the first plebiscite in 1948, had cast their lot with the Confederates during the second.

*Mr. Wright* asked whether in any of the confederation negotiations the question of the division of legislative powers had arisen?

*Mr. Fraser* said that he had found no evidence that the division of legislative powers had ever been an issue in the negotiations during the nineteenth century. Although there was a thoroughly searching analysis of the extent of the taxing powers in the debate in the Assembly prior to the election of 1869, neither party took issue upon the question of federal and provincial rights.

*Mr. Longley* said that in the Maritime Provinces the opposition to confederation had come from the parties usually referred to as Reform or Liberal: yet in the case of Newfoundland in 1948 it was the Liberal party which had finally succeeded in bringing Newfoundland into the Canadian union.

*Mr. Sage* asked the speaker if he could explain how party lines were originally drawn in Newfoundland and when political parties as such developed.

*Mr. Fraser* said that party names were not very significant in Newfoundland and that personalities and personal allegiance determined party lines during the greater part of Newfoundland's history as a separate colony. Confederation was the one great divisive issue in



Newfoundland politics. The fact that in 1949 the Confederate party took the name Liberal was largely because the Liberal party was in power in Ottawa and because that party had co-operated with the Confederates in bringing about union. Under these circumstances the Anti-Confederates became, willy nilly, Progressive Conservatives simply as opponents of the Liberals (Confederates).

In reply to Mr. Sage, *Mr. Fraser* said that party divisions might be traced back to the pre-responsible government days, to the conflict between the elected and the appointed representatives in the colonial legislature; but that following the introduction of responsible government there were no clear cut political issues except that of union with Canada. Political philosophies were always subordinate to political personalities as determining factors in Newfoundland party politics.

*Mr. Gibson* asked whether the Colonial Office had been actively interested in the union negotiations between 1864 and 1869 and whether Downing Street had brought pressure to bear upon the government of the island as it had in the cases of New Brunswick and Nova Scotia?

*Mr. Fraser* said that the attitude of the Colonial Office, judging from the public pronouncements of Lieutenant-Governors Musgrave and Hill, indicated a strong official sympathy for confederation. Such imperial pressure as was brought to bear upon Newfoundland was exerted through the two governors in question.

*Abbé Maheux* expressed the hope that the people of Newfoundland would take an interest in the work of the learned societies of Canada and that they would be duly represented at the meetings to be held by the Canadian Historical Association and other societies in the future.