

MAINE STATE LEGISLATURE

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No

August 28, 1953

To Governor Burton Cross
Re: Bar Harbor International Ferry Contract

Pursuant to the direction of the Governor and Council, I have represented to Canadian National Railways that the proposed contract between the Maine Port Authority and the Railways would have to call for 2% interest on the money put up by the State.

Our conference was at the office of Nathan W. Thompson, counsel for Maine Port Authority, August 26-27. The Railways were represented by A. Beatty Rosevear, Q. C., Assistant General Solicitor.

Mr. Rosevear concedes that were this an ordinary business transaction interest should certainly be had, but he urges me to bring before you various considerations which he says make it clear that no interest should be charged:

Canadian National Railways, in its ordinary business, attempts to make money the same as a private corporation. Its incentive, of course, is that it prefers to report profits rather than red figures, since any deficit has to be made up from tax revenues.

However, Canadian National Railways is not undertaking the international ferry as it undertakes its ordinary business. Its ordinary business is undertaken on its own behalf. It is handling the ferry as agent of the Dominion. Our own resolve provided that the agreement shall be made with the Dominion of Canada "or its designated agent".

The Canadian financial set-up is that the ferry boat itself and the Yarmouth terminal are being paid for out of current tax revenues. They belong to the Government as distinguished from the Railways. In other words, no interest is being paid on any other funds invested in the project. All financial figures are to be segregated and reported separately to the Canadian Parliament.

Mr. Rosevear points to our own Resolve (emphasis supplied): "The intention hereof being to cooperate with the Canadian Government to effect a ferry service of mutual benefit of profit to the people of Maine and the people of Nova Scotia, and not to make a profit for either government, the lease agreement need not require that the Canadian Government, or its designated agent, pay interest. . . ." Mr. Rosevear states that the Canadian Government will not attempt to make a profit.

I have inquired of Mr. Rosevear how the understanding could be implemented, since obviously the fixing of fares will

be within Canadian control. Mr. Rosevear replied that the language from our resolve should be copied into the contract and that we are to have annual reports.

In view of a suggestion made to me that the State should receive at least a nominal $\frac{1}{2}\%$ to cover administrative expense, I suggested that the State should receive such reimbursement. Mr. Rosevear stated that all general administrative expense on the Canadian side, comparable with our own general expense - such as auditing, legal research, counsels' time, and the like - are being met from the general budget, with no charge separately entered against the Ferry. He also reminded me that the Canadians are investing about \$6,000,000 as against our \$1,000,000.

Will the Governor and Council insist upon interest in the light of Canadian willingness to make this no-profit commitment?

If this proposal is not agreeable to the Governor and Council, Mr. Rosevear states that he wishes me to arrange for a meeting of representatives of the Railways with the Governor and Council.

Boyd L. Bailey
Assistant Attorney General

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