

Smith Co., A. P., East Orange, N.J. Represented by A. T. Halpin, W. A. Start, A. C. Nilman and J. W. Strackbein.

Sullivan Machinery Co., Chicago, Ill. Represented by D. H. Hunter, of the St. Louis office. This firm showed drawings of their air lift pumps.

Wallace & Tiernan Co., New York. Represented by M. F. Tiernan, president; R. E. Murphy, of New York City; and C. A. Jennings, of Chicago.

Wood & Co., R. D., Philadelphia, Pa. Represented by Chas. R. Wood, J. Wistar and Vincent McCarthy.

### C.N.R. ARBITRATORS' REPORT

**P**LACING the value of the 600,000 shares of common stock of the Canadian Northern Railway at \$10,800,000, and determining that each party shall pay its own share of the costs of the arbitration, the award unanimously agreed upon by Sir William Meredith, Hon. R. E. Harris and Hon. Wallace Nesbitt has been officially announced. The maximum payment was limited to \$10,000,000 by act of parliament, and while the arbitration board places the value at \$800,000 more than that figure, probably only \$10,000,000 will be paid, as the Mackenzie & Mann and Canadian Bank of Commerce interests are said to have agreed to accept that sum in case a larger valuation should be awarded by the arbitrators. The report is as follows:—

"We, the Honorable Sir William Ralph Meredith, chief justice of Ontario; the Honorable Robert Edward Harris, chief justice of the supreme court of Nova Scotia; and the Honorable Wallace Nesbitt, of the City of Toronto, the arbitrators appointed under the provisions of an agreement bearing date the first day of October, nineteen hundred and seventeen, between His Majesty the King, represented herein by the minister of finance and receiver-general, and the minister of railways and canals, acting under the authority of an order-in-council, dated the fifteenth day of November, nineteen hundred and seventeen, of the first part, and Mackenzie, Mann & Company, Limited, of the second part, and the Canadian Bank of Commerce of the third part, to determine the value of the six hundred thousand shares of the capital stock of the Canadian Northern Railway mentioned therein, as of the date of the agreement, having taken upon ourselves the burden of the reference and heard the parties by their counsel and the evidence adduced, do award and determine:—

#### Value Was \$10,800,000

"1.—That the value of the said six hundred thousand shares as of the date of the agreement was the sum of ten million eight hundred thousand dollars.

"2.—That the parties shall respectively pay and bear their own costs of arbitration, except that the government of Canada shall pay the expenses of taking and transcribing the evidence, the remuneration of the secretary and messenger employed by us and the incidental expenses incurred by the secretary.

"The question to be determined by the arbitrators was one of great difficulty and one which, of necessity, admitted of great diversity of opinion. We heard much testimony and had the benefit of assistance of experienced and able counsel on both sides, and carefully investigated every matter which seemed to throw any light upon the question to be determined. As to whether or not there

was a surplus of assets over liabilities was naturally a subject which engaged much time and consideration. It is, of course, not a conclusive test as to the value of the stock, but it is an element which cannot be ignored. Its importance was perhaps emphasized by the fact that a royal commission had reported the assets and liabilities of the company to be about equal. This report which was made in a proceeding to which the company and its shareholders were not parties, was admittedly based on a misconception of some of the facts, and there were omissions of both assets and liabilities. It should also be pointed out that the work of the royal commission had reference to a date anterior to the first day of October, 1917, and there were changes in the interval.

"In arriving at the surplus of assets over liabilities, the report of Prof. Swain as to the reproduction cost new of the physical property based on pre-war prices, and also his estimate of the depreciation, has been adopted, and after a careful examination we found the surplus of assets over liabilities of the company on the first day of October, 1917, on a conservative basis, to be not less than twenty-five million dollars, after deducting the full amount of depreciation found by Prof. Swain, and making such reduction in the value of the land grants and other assets as deemed reasonable.

#### Reproduction Less Depreciation Not Accurate

"It is to be pointed out that a valuation of the physical property of a railway company by the reproduction new method, less depreciation, is not to be regarded as an ascertainment of the actual value. It is only a means to that end, but as it was the best, and in fact the only estimate available, it has been adopted as a basis for the foregoing calculations.

"While the surplus of assets over liabilities is an element for consideration, as has been already pointed out, it is not conclusive as to the value of the stock of the company. Its prospective earning power is perhaps more important than any other element in ascertaining such value, and in arriving at a conclusion we have given careful consideration to the past history of the company, its earnings and expenditures, the present financial position of the company, the location of its lines and their construction, the other railways already existing in competition, the rate of interest on the funded and other debts of the company, the probable future growth of the population and business of the country, and all other factors which seemed to us to have any bearing upon the question.

"It is apparent that there was great room for difference of opinion in a matter involving so many elements of uncertainty and speculation, but after taking into consideration all the circumstances which appeared to us to be entitled to weight in determining so difficult a question, we came to the conclusion we have mentioned.

"In witness whereof we have hereunto set our hands this twenty-fifth day of May, 1918.

"Signed, published and declared (in triplicate) in presence of E. Oliver. W. R. Meredith; Robt. E. Harris; Wallace Nesbitt.

Manitoba spent \$466,946 during 1917 under the Provincial Good Roads Act. Of this amount the province contributed \$220,996 in cash to the municipalities, besides the services of the provincial highway engineering department. A total of 264.81 of roads were constructed during the year, of which 174.07 were earth roads and 90.74 were gravel. Up to the beginning of this year there had been constructed altogether, under the act, 580.76 miles of roads, of which 365.82 were earth roads, 191.69 were gravel and 23.25 were asphalt or concrete.