

balance of over \$200,000 carried to the right side. Now, my object in rising on this occasion was to show that owing to the method in which the accounts were kept, the condition of the Intercolonial Railway was represented as much worse than it actually is. Of course, this does not take away the fact that a large addition has been made to the capital of the Intercolonial Railway by these expenditures. That is true, but it is right that we should know that the operating expenses of the railway are accounted for, and that its operations during the last ten years have not resulted in a deficit, but in a small surplus. I think that during the current year, the operations will not show so favourably, as a falling off appears in the revenue; although there is a much greater mileage, and that as I said before, is a justification of the Government in applying the pruning knife to these services which will best stand the strain. In further proof of the statement that the accounts of the Intercolonial are not kept in the same way as the accounts of other railways, I will cite an authority on railway book-keeping, Marshall Kirkman, whose system is adopted I understand, by all the leading railway lines in the United States:

**“IMPROVEMENTS.**—This heading is intended to embrace the disbursements having for their object the betterment of the original plant of the company, where a portion of the charges for the accounts to be opened under it belong to operating expenses, and a portion to construction.

“For instance: Suppose it be determined to replace the shingle roof on blank passenger station with a slate roof. This would be improving the property, and the amount the slate roof cost in excess of what the shingle roof cost, when it was new, is a proper charge to construction.

“The value of an improvement, without reference to the relative cost, also comes properly under construction.

“All disbursements for works of the foregoing character should be charged up on the distribution books under the head of ‘improvements,’ but for obvious reasons, painstaking caution should be exercised to prevent any unjust or questionable charges being made to this account.

“The word ‘construction’ in railway accounts is intended to describe the original or first cost of the property of the company:

“Something original and new.

“The cost of all improvements that add value and increased stability to the property of the company, over the original value, are properly chargeable to construction.

“Construction properly embraces the total cost of any extension of the company’s lines:

“The cost of right of way, increased facilities and grounds, and the expense incidental thereto;

“The cost of new side tracks, less the cost of side tracks taken up;

“The cost of viaducts and road bridges (where none before existed);

“The difference in value between temporary or cheap bridges and culverts, and bridges and culverts replacing such, constructed in a permanent manner, of iron or stone;

“The cost of additional telegraph lines and facilities;

“The value of steel rails over iron rails, when the former are substituted for the latter;

“The difference in value between iron laid in track of a heavier grade than that which it replaces;

“The cost of additions or improvements in the fixtures appertaining to track;

“The cost of remedying any defects in track rendered necessary in consequence of its not having been constructed in a first class manner originally;

“The cost of additional buildings including the machinery and appurtenances belonging thereto.”

I may say in addition to this, that at the conference of railway proprietors held at Saratoga a few years ago, and known as the Saratoga conference, the principle adopted for the keeping of accounts was that all additions and betterments, described as they are by Mr. Kirkman, who is an authority on railway questions, were directed to be charged to capital account, and not entered under the Mr. McDougald (Pictou).

classification of working expenses. I have a whole series of railway reports from the United States showing this to be the custom, and I could quote them until morning, but do not intend to abuse the indulgence of the committee in that direction. It will suffice to take one as a sample of the whole. It is the report made in 1882 by the Chicago, Burlington and Quincy Railway Company. Among the items charged to construction, and which in a great many instances are charged to working expenses in the accounts of the Intercolonial Railway, are such items as those: New side tracks, \$87,688; ballasting and improving tracks, \$20,382; land and right of way, \$128,660; new buildings and waterworks; new fencing; new telegraph lines. I have also the report of the New York Central and Hudson River Railway, in which the same classification is adopted; and the details given show that the additions and betterments made during the year have been added to the capital account, and these include such items as the following:—Superstructure including ties, land and fence; passenger and freight stations and several others in the same direction. Reference has been made to the cost of the Intercolonial Railway and the circumstances under which it was constructed, and I think it would not be amiss to quote the section of the British North America Act in which the construction of that railway was guaranteed, and to ascertain from that what is implied with regard to the operation of that railway. It stands as a public work, owned by the Dominion, in a different light from any other public work of the country. It is part of the terms under which the lower provinces consented to enter the Dominion and to be built prior to Confederation, while all the other works of magnitude have been built after the provinces came together and stand on a different footing. There is no desire to disparage the utility of the canal system of this country. We are all proud to contribute our share in opening up the great highways so essential to the life and commerce of our country; and in dealing with the Intercolonial Railway, we ask nothing more than to apply the same principle which is being applied to the operation of the canals of the country. We find, although these works were constructed after the union of the provinces, no attempt was made, nor is it desirable any attempt should be made, to convert these works into a direct source of revenue to this country. They were built on other grounds entirely, and their operations in the past few years have been directed, not with a view to revenue, but with the view of cheapening the facilities of commerce throughout the country, and they have not been operated at a profit but at a slight loss during the past few years. If the same method of accounting had been applied to the Intercolonial Railway, which has been applied to the canals, the same results would show; that is with regard to what may be termed working expenses, although the capital account would show very large, there would be small loss in operating account. Section 45 of the British North America Act reads as follows:—

“Inasmuch as the Provinces of Canada, Nova Scotia and New Brunswick have joined in a declaration that the construction of the Intercolonial Railway is essential to the consolidation of the Union of British North America, and to the assent thereto of Nova Scotia and New Brunswick, and have consequently agreed that provision should be made for its immediate construction by the Government of Canada: Therefore in order to give effect to that agreement, it shall be the duty of the Government and