

THE COMMERCIAL

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The Commercial certainly enjoys a very much larger circulation among the business community of the vast region lying between Lake Superior and the Pacific coast than any other paper in Canada, daily or weekly. The Commercial also reaches the leading wholesale, commission, manufacturing and financial houses of Eastern Canada.

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THE RAILWAY DEAL.

The all-absorbing question in Manitoba is now the railway contract, entered into between the provincial government and the Northern Pacific and the Canadian Northern Railway companies. While much attention is being given to this matter throughout all Canada, here the most intense interest is being taken in the question. The first effect of the announcement made by Premier Roblin of the contract entered into with the railway companies, was one of surprise. The boldness of the proposals and the enormous financial obligations which would be imposed upon the province by the final ratification of the contract, were such as to bewilder thinking persons, who took the trouble to study out what the contract really meant. As soon as sufficient time had developed to permit of a careful study of the agreement, it became evident that there would be a very strong opposition to the acceptance of the proposals by the legislature. This opposition has developed rapidly and is evidently gaining in strength from day to day, as the document is discussed and gone into by the people.

It is almost impossible to deal with this question in a single article. The matter is one of such far-reaching importance, and there are so many points to be dealt with, that it will be advisable here to attempt to consider only some features of the case. Briefly, we have first the agreement for the lease by the government of the lines operated by the Northern Pacific railway in Manitoba. The contract provides that the Manitoba government shall lease the Northern Pacific lines at an annual rental varying from \$210,000 per year for the first ten years to \$500,000 per year after thirty years, with the option of buying the lines for \$7,000,000. The annual rental we may say is based on the price fixed for the road at \$7,000,000. The first objection to the agreement with the Northern Pacific is the enormous price which it is proposed to pay for the lines. This price is believed to represent about double the price which the road could now be built for. In fact it is understood an offer has been made to duplicate the 350 miles of railway operated in Manitoba by the Northern Pacific company for the sum of \$10,000,000

or a total of \$3,500,000. Just half the sum named in the contract. The government justifies the proposed purchase of the Northern Pacific lines by the declaration that they can sell the road for an advance on the price named; but it is doubtful if even this would justify paying so much more for the road than it would cost to duplicate it. The contract is evidently a good thing for the Northern Pacific, as the statistics furnished the government show that these lines in Manitoba have not paid in the past, though it is also claimed that the road does pay, notwithstanding the figures furnished by the company. The deficit charged to the Manitoba lines, it is declared, by some, is due to the company's system of bookkeeping.

Manitoba, at considerable sacrifice, secured the entrance of the Northern Pacific railway into the province. The road cost the province in bonuses, etc., the sum of \$700,000. It is now evident that our interests were not properly safe-guarded in those agreements. We now propose to buy out the road which cost so much to secure its entrance here, and thereby drive it out of the province. As it is proposed to immediately turn the Northern Pacific lines over to the Canadian Northern on the same terms as secured by the province, the result is that we reduce our competing lines from three to two, and deprive a great transcontinental road like the Northern Pacific of any interest in the province. It is doubtful if this is good policy to start with.

The contract with the Canadian Northern is the more important part of the business, as the undertaking with the Northern Pacific is really merged into the agreement with the former company. As the Canadian Northern is to take over the lease and option secured by the province from the Northern Pacific, the success of the two contracts depends upon the ability of the Canadian Northern to carry through its gigantic enterprises and make a financial success of the vast work which it has undertaken. Herein is the rub. On the one hand we have a guarantee of government control of rates from points on the company's system to and from Manitoba points to the head of lake navigation at Port Arthur, as well as within the province. The great consideration which the province gains is control of freight rates. Legal gentlemen tell us that this guarantee is worthless. That it cannot be enforced on account of a conflict with federal rights. That the company has already delegated that privilege to the federal authorities. We will not discuss the legal aspect of the case here, but assume for the sake of argument that the Canadian Northern can give the control of rates on its system to the Manitoba government. In return for this control of rates the province is to assume responsibility for the bonded indebtedness of the Canadian Northern system, both principle and interest. The province must also assume responsibility for the contract with the Northern Pacific. It is true that Manitoba has already guaranteed the bonds of a portion of the Canadian Northern system. This was done by the late Greenway government. We therefore do not by this contract assume the entire bonded obligations of the road, though in calculating our financial resources, we are bound to consider these existing obligations. The financial obligation entailed in the contract is a most serious undertaking for the province. We can hardly refrain from believing that the obligation assumed is too great for

the resources of the province. While we have a possibility of reductions in freight rates, in the event of the road proving a financial success, it must be ever kept in view that in case of the financial failure of the company, the enormous obligation falls back upon the province. The effect of the contract is simply to guarantee the position of the Canadian Northern Railway Company. The company has a sure thing, for the province stands behind it to bear any financial burden beyond the resources of the company.

Moreover, we assume this enormous obligation for an uncertainty. While admitting the control of rates, it is manifest that the government cannot reduce rates if the traffic will not permit of it. While the province is responsible for the financial obligations of the company, it would be only like taking money out of one pocket to put it in another, to reduce rates beyond the point of profit to the company. Eventually, by the development of the country and the growth of traffic, it is quite possible that the road may become a profitable enterprise. At the outset, however, it is almost a certainty that the road will not be able to make a profit even on the basis of present freight rates. Indeed, it would seem quite probable that some few years at least must elapse before the road can be expected to return a profit, even with present rates maintained. It must be remembered that a considerable portion of the mileage of the Canadian Northern system runs through undeveloped and we might say almost uninhabited territory, which will give very little traffic to the road for years.

The obligation assumed by the province we may briefly sum up as follows: Northern Pacific lines, \$7,000,000, or equivalent to the annual interest on that sum at, say 4 per cent. Guarantee of the bonds of the Ontario and Rainy River section for 200 miles at \$20,000 per mile, equal to \$5,000,000. The annual interest charge will amount to \$232,000 on the Rainy River section, and the Northern Pacific rental, first ten years, will amount to \$210,000 per year, or a total of \$442,000 annual interest charge, which the province will be liable for. In addition to this we have the liability of the province in connection with previous guarantees of bonds covering sections of the Canadian Northern system in Manitoba, which would bring the total annual liability of the province for interest charges and rental of the Northern Pacific lines up to about \$600,000, or a sum nearly equal to the total annual revenue of the province.

It must be seen from this statement of facts that the final ratification of these contracts will leave the province in a thoroughly impoverished condition financially for many years to come, so that no matter what favorable opportunities may arise in the future, the province will be effectually barred from taking advantage of them, while this load of responsibility is hanging over us. It would probably make it impossible for the province to float bonds on a profitable basis for years, no matter how urgent may be the necessity for such action. It is also possible that our municipal securities would be adversely affected for a time. Of course as the road became an established and paying enterprise this difficulty would be overcome; but with almost a certainty that the province would be called upon to make good annual deficits during the first few years of the operation of the road, it is quite sure that our credit would be most seriously affected in the world's money markets.

While there are many more important points which might be referred to, including several serious objections on other grounds which might be urged against the contract, these will not be touched upon at present. What is most urgent now is time to thoroughly go into the matter. The country should have months to discuss and digest the contracts, and this should be done in a fair, independent and non-partisan spirit. We believe there is a disposition among the people to consider this matter as much as possible independent of party politics. In a question of such vital importance to the future of this province, we cannot afford to look at the matter through party spectacles. Premier Roblin has himself shown a disposition to take the people into his confidence, and he has asked for and declared that he is "wide open" to receive suggestions and information upon the question. We believe that he is honest in his opinions upon the question, and we furthermore believe he will gain the almost universal respect of the people of Manitoba by giving ample time to allow of the thorough discussion and crystallization of public opinion upon the most momentous matter which has yet come before the people of Manitoba. No harm can result from allowing the matter to stand, even if it should go over to another session of the legislature. It is not a case in which delays will be dangerous, while to hurry the matter through would be an indication of weakness on the part of the government, and also an evidence of weakness in the contract itself.

THE C. P. R. OFFER.

In another column this week we publish in full the correspondence between President Shaughnessy, of the Canadian Pacific Railway Company, and the Manitoba government, regarding the railway question. The importance of this correspondence lies in the fact that it embodies the offer made by the railway company to the government, as an alternative to the arrangement entered into between the government and the Canadian Northern. The Canadian Pacific Railway offer is certainly a surprisingly liberal one, embodying many favorable features. It does seem a matter for regret that the contracts with the Northern Pacific and the Canadian Northern, together with Canadian Pacific Railway proposals, could not have been laid before the legislature and people of Manitoba for free and independent discussion, unblinded by any party or political influences whatever. A contract of such enormous magnitude and far-reaching consequence deserves thoroughly impartial consideration. The fact that a contract had been entered into by the government, before the terms were known to the people, certainly does preclude impartial discussion to an extent at least, though of course there are many intelligent persons who will not allow themselves to be influenced either for or against the contract as a result of their party allegiance.

The great feature of the Canadian Pacific Railway offer is, that it embodies important concessions to the people, while very little is asked for in return. The company offered to build a certain amount of new railway in the province; the company offered to operate the Northern Pacific lines on a basis which would allow a profit to the government over and above the rental demanded by the Northern Pacific, further the company offered to make important reductions in freight rates. A measure of control