

condition to handle the trunk-line traffic. If it is not the best, then the disposition of this part of the road, with its branches, naturally depends upon its usefulness as a road serving local interests.

From Winnipeg east to North Bay and Port Arthur, the Transcontinental and Grand Trunk Pacific railroads together can give efficient service as a connecting link between the railways of Eastern and Western Canada. This road also affords a good line for traffic moving via the Great Lakes. In fact, it is probably the best route of any for hauling bulk commodities at low costs.

Government Morally Bound.

Officers of the Grand Trunk Railway Company claim that the government is morally bound to relieve the company of the Grand Trunk Pacific, because the government is responsible for the failure of the project, having permitted a rival company to enter the field. The rival line, however, has been constructed at a lower cost per mile, and manages to get enough traffic to pay its operating expenses and a large part of its fixed charges, which cannot be said of the Grand Trunk's system west of North Bay. I feel that I am not called upon to discuss the merits of the Grand Trunk's claim against the government. I have no doubt the government has observed at least the letter of its contract.

Standing alone, with efficient operating conditions imposed there is no reason, within my knowledge, why the Grand Trunk Railway proper should not become a profitable operation. It occupies a good territory, reaching some of the best traffic centres in the United States and Canada, and has American connections that ought to contribute to its welfare. The company needs terminal improvements in cities and modern equipment, especially locomotives. The need for equipment is pressing, and should be met.

Canadian Northern System.

The lines of the Canadian Northern, particularly in the prairie provinces, appear to be advantageously located in view of traffic conditions. Inspection of the property brings out the fact that this road was built with proper regard for economy, and the creation of a permanent public service utility.

In some instances, the system has extended its lines where it should have obtained a traffic interchange agreement or the joint use of facilities instead, at least until the traffic had grown enough to justify further expansion. A public policy intended to develop and serve the country as a whole, at the lowest cost, would have enforced arrangements which would have obviated the needless duplication of facilities.

The line from Yellowhead pass to Vancouver, in part at least, may be unnecessary, but it is there by the joint action of government and the company. The character and capacity of this line through the Fraser River canyon, where it is alongside the Canadian Pacific for about 200 miles, would suggest that no more money should be spent for double-tracking or revising grades on either of the railroads for years to come. From Yellowhead pass to Edmonton, the proximity of the Grand Trunk Pacific places two lines where one affords abundant capacity.

Appears to Have Been Unwise.

The invasion of the east by the Canadian Northern now appears to have been unwise, but condemnation thereof must be tempered with a knowledge of the conditions which forced this extension. There was a public demand for railroads. All Canada was enthusiastic over the prospects of a rapid growth in wealth and population. Railroads were on a competitive basis, and the public stood ready to back any new railroad enterprise, since that meant a rival carrier, and, incidentally, a new business in construction. There was no regulation which enforced co-operation among rival lines. The Canadian Northern, seeking to expand and become a profit earner, quite naturally desired to get all the traffic it could, and to hold all it got for as long a haul as possible. As a result, it undertook to do what appeared to be necessary under the conditions then existing—that is, to extend its line to both oceans.

An inspection of this company's property shows that generally it is of a type of construction well suited to its needs, and that the builders have installed it at a cost which, by comparison, seems small. Nowhere was there evidence of waste in the construction work itself. It is true that the company had some construction under way, or planned, that appeared wasteful because unnecessary, but this is due, I

understand, to the unregulated competitive system, or to bargains with public authorities.

The building of expensive terminals in cities already supplied with adequate facilities affords an example of duplication for which the public must eventually pay. However, in the absence of restraint and regulation by consistent public authority, it is difficult to determine how the company could have avoided this.

The precarious financial situation of the Canadian Northern is due, in part, to its uncompleted condition, and to the fact that needed capital cannot be obtained on its own resources, especially during the period when capital is so greatly in demand by powerful governments. This system is not at present able to earn all of its fixed charges. As important parts of the system have but recently emerged from the construction period, it would be truly remarkable if it were able to do so. It does earn a very large proportion of such charges, and probably could earn all of them but for the burden of eastern extensions and duplications that have been placed upon it. Practically all commercial enterprises, and particularly railroads, must go through a development period.

The Canadian Northern is short of equipment. With the return to normal conditions, and provided with the capital necessary for equipment and for additional local facilities, this road can, in my judgment, work its way out in a reasonable time.

CANADA'S COMMISSION OF CONSERVATION.

The following reference to the work of the Commission of Conservation appears in the fifth interim report of the Dominion's Royal Commission:—

"From an examination of the work carried on by the commission, it would appear that its activities in the domain of lands, minerals, forests, fisheries and waterpowers connect with, and may possibly duplicate, work which is actually done, or which could be more suitably carried on, by the departments of the Federal and Provincial governments charged with the administration and development of these great natural resources, and maintaining for this purpose experienced and expert staffs. The council for industrial and scientific research which has lately been constituted for Canada, on the lines of that in the United Kingdom, will also necessarily devote much of its attention to the tabulation, examination, and testing of the resources of the Dominion in the way of raw materials with a view to their development and utilization in industrial processes.

"It would appear, therefore, that an excellent opportunity is afforded for a co-ordination between the functions of the commission of conservation and other existing departments which would promote both economy and efficiency, and tend to more methodical application of energy.

"We would refer to one point connected with the work of the commission of conservation which deserves special notice. No visitor to the Dominion and to Western Canada in particular, could fail to admire the spacious walks and broad streets of the towns and cities, or to note that these have been laid out not only to meet present needs but with a wide outlook for future development. It is interesting, therefore, to find that the town planning committee of the commission is paying special attention to the details of housing accommodation and conditions, as well as to the principles of scientific town planning, and that its advice is being sought to a greater extent than the present staff can satisfy."

WAR TAXATION ANNOUNCEMENT.

In an official statement issued last week, Sir Thomas White, finance minister, said that the liability to taxation under the Business Profits War Tax Act ceases at the end of the present year and that the proposed increased taxation applies only to the last annual accounting period of the three accounting periods to which the act of last year applies. In other words, the increased taxation will affect only annual accounting periods, which end after December 31st last. For example, if a company's accounting period ends on May 31st of this year, the company will pay the increased tax in respect of its fiscal year commencing June 1st, 1916, and ending May 31st, 1917, and it will not be liable upon its profits earned after May 31st, 1917. The new tax, therefore, cannot apply to new companies about to establish themselves in Canada.