GEORGIAN BAY CANAL

Are We Justified in Spending $125,000,000 on Its Construction?—Interim Report

An interim report of the Georgian Bay Canal Commission has been presented by Mr. W. Sanford Evans, chairman of the commission. In an introductory statement it is pointed out that, under the authority of parliament, a survey and investigation of the practicability and probable cost of the long-mooted proposition to construct a deep waterway from Georgian Bay to the harbor of Montreal, by way of the French and Ottawa Rivers, was initiated in 1904 under a board of engineers. In 1909 this board submitted a report (Georgian Bay Ship Canal Report upon Survey, with Plans and Estimates of Cost, 1908), the plans providing for a waterway 22 feet deep, with a length of 440 miles, in which there would be 28 miles of canal excavation, 66 miles of channel dredging, and 346 miles of river and lake; with 27 locks of a minimum length of 650 feet, with 65 feet clear width and 22 feet clear depth, the lift ranging from 5 feet to 50 feet; and with a minimum water supply in the summit basin, capable of being increased, which would permit of 20 lockages per day throughout a season of about 210 days. The cost, originally placed at $100,000,000, was, in view of increases in the cost of materials, subsequently estimated at $125,000,000.

In 1914 a Royal Commission was issued for a report upon the "commercial feasibility" of such a canal, and in general upon many elements of the transportation problem in Canada. The engineers had reported that the canal was practicable, but the report of the Georgian Bay Canal Commission was to be upon the question whether or not it would pay Canada to spend $125,000,000 upon this public work.

To Have Economic Justification.

A canal is constructed to carry traffic, says the report, and from the national standpoint might have economic justification:—

(1) If existing traffic facilities are congested, or in danger of congestion within a period of time for which provision should now be considered, and if the proposed canal offers adequate and satisfactory additional facilities.

(2) Even if actual congestion is not threatened, then if a sufficiently great volume of traffic is likely to be affected by the building of the canal so that the decreased cost or the increased convenience will bear a remunerative relation to the capital invested.

Under this heading there would be two inquiries:—

(a) As to the volume of traffic that would probably use the canal itself;

(b) As to the volume of traffic likely to be affected by the competitive influence of the canal, through the effect of the new route on the rates and conveniences of other routes.

(3) If its construction would probably promote the development of traffic to a greater extent or at a more rapid rate than an alternative improvement in facilities, and to a degree commensurate with the cost.

(4) If in connection with its construction collateral assets or benefits might be created, of which water-powers may be taken as one example, which, properly appraised, might so supplement the traffic advantages as to make the total national return appear profitable.

This interim report does not deal with possible collateral values created by the building of the proposed Georgian Bay Canal, which must later be enquired into, but solely with the problem of traffic. Neither does the report deal with the important question of local traffic, but only with the problem of through traffic.

Weight of Freight.

In the present report the quantities, and not the values, of freight traffic are taken into consideration, whenever these can be obtained, and less attention is paid to freight rates than to the general conditions that underlie freight rates.

It is the weight, or the bulk, of freight traffic that chiefly creates a transportation problem, and not its value. Cargoes and carloads are measured by tons and not by dollars. To illustrate: In the fiscal year, 1912-13, Canada imported unset diamonds to the value of $3,846,350. If put into one package, these diamonds would probably weigh about 44 pounds, and the whole package could be thrown into the corner of the small safe in one express car. In the same fiscal year Canada imported large quantities of soft coal, aggregating over five times the value of the diamonds. Taking for comparison the quantity of soft coal which at the entered price would give a value equal to the diamonds, we have a freight tonnage of 1,923,175 tons. According to the report of the department of railways and canals, there were in that year on all the railways in Canada a total of 14,746 coal cars, with an average capacity of 38½ tons. If all these cars were assembled to carry the above amount of coal, each car would have a little over 3⅓ loads. Put in another way, if these cars were made up into trains of forty cars each, and twelve such trains were despatched per day, it would take 104 days to move the load. Here we have a big transportation problem, whereas the same value in diamonds offers no transportation problem at all, but only an insurance or police problem. It may be much more profitable for a country to produce or trade in goods that must be weighed by ounces or pounds, but it is only tons, no matter what their value, that can fill vessels or cars and that require new canals, deeper channels, more railway lines and heavier rails and bridges.

No Recommendations Made.

Freight rates do not always explain traffic movements, and are sometimes symptoms rather than causes. A relative cheapness of rates will not always divert traffic from other routes; for traffic often seems to move upstream against higher rates. There are many conditions which determine the routing of traffic, and it is impossible to reach sound, practical conclusions by studying freight tariffs alone. What has been sought in the present investigation is the causes of traffic movements, whether these causes have manifested themselves in freight rates or not. There may be artificial interferences with the operation of these fundamental causes, such as may arise from the exercise of governmental regulation on the one side, or from conferences, affiliations, pools, or combinations on the other, but it has not been possible in the time to trace the influence on the courses of traffic that may have been exerted by these means.

No recommendations are made in the report, which is under the signature of W. Sanford Evans, chairman of the Georgian Bay Commission. The government have sufficient problems in hand with the war and the railroad situation at present, which probably accounts for the exclusion of recommendations from the present report.

AUSTRALIA'S LOAN IN LONDON

Few loans except those for war purposes have been made in London since the outbreak of war. The successful underwriting there last week of £4,000,000 Australian Commonwealth 5¼ per cent. bonds, has therefore attracted considerable interest in financial circles here. The bonds are redeemable 1920-1922. The issue was made at par and is convertible into stock free of stamp duty. A discount will be allowed for payment in full, and at this rate, taking into account redemption at par, the yield works out at about £5-7s. per cent. This is the first occasion on which the Commonwealth of Australia has appeared as a borrower in the London market, previous loans having been issued internally. In some quarters there was a disposition to criticize the rate of interest as too high, but in this connection the fact that the bonds mature in four to six years must be taken into consideration.

The general opinion is that the terms were generous, having regard to the level of other colonial securities. There is some discussion of the fact that the British government should have sanctioned such an important loan at this time, when the question of another big war loan is under discussion. The issue of the 4½ per cent. war loan in June of last year was preceded by the offer of a number of colonial 4½ per cent. loans. May the inference be drawn, asks the London Financier, that the interest on the next big British government loan will be 5¼ per cent.? There seems no obvious reason for adopting such a course in view of the popularity of the 5 per cent. exchequer bonds. Even a 5¼ per cent. loan at par would give a net yield of only £3 18s. 9d. per cent., after deducting income tax at the maximum rate, though, allowing for the discount on payment in full, a clear 4 per cent. yield might be shown.