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THE SITUATION.

A decided advance, on the right path, has been made by the Ottawa Government, in dealing with railway subsidies. These payments are no longer to be gifts, for which nothing but an indirect return, in general benefits, is expected; the railways are to pay in services—carrying the mails, Government stores and militia supplies—which are now paid for in money. It will not always be possible, perhaps, for the Government to make as close a bargain, as it could make, if no advance by either party to the other were in question. The value of this change of policy is in the fact that henceforth we are to deal with railway companies on business principles; so much for so much. That is the general rule, any departure from which will be severely criticized. But we must not run away with the idea that this change of policy, important as it is, will relieve the country from payment for postal services to railways, which, in the past, have been largely built with donations of public money and public lands, and to which the Government is paying about $1,250,000 a year for services. On the old roads, payment for postal services will have to be made, as heretofore. But the essential thing will be that Government grants in aid of railways will cease to be bonuses, for which nothing but an indirect return is expected. The Government advances will be made in expectation of a direct return. The qualified railway subsidies will this year amount to a large sum, $6,540,295; but if the Government gets the interest on that amount, in the [illegible]ge of the mails, etc., railway bonuses will change their nature, though they may retain the name, even after it ceases to be appropriate. The proper name would be Government advances, if fair remuneration for postal services rendered, be equal to the interest on the amount advanced.

Let us be thankful that the day, we had almost said the scandal, of railway bonuses is at an end, in the Dominion. And the precedent which Ottawa has set will have to be followed by the provinces. The requiem of railway bonuses is being sung. Here and there a voice may remain silent, for a while, out of harmony with its surroundings, but if it be listened to at all, the discord will fall on unwilling ears, and the wail will soon die away. Henceforth Government is to take power to fix railway rates, but we may be sure that the companies will find means of making themselves heard. And if they pay their way, why not? It is only the man who gets bonuses, the interest on which he leaves someone else to pay, who has morally no right to a voice in fixing rates. If a distinction be made between old and new roads, the latter will get the worst of it. A right step has been taken, in dealing with grants to railways; but of course much will depend upon the way in which the new policy is worked out. But the essential feature is that a change of policy is to be made. It is true, it is only a return to the original policy of railway grants, with a slight modification, service being substituted for payment of interest, in money. The railway companies failed to perform their part of the contract, and so hopeless had the case become that the late Mr. Laidlaw actually claimed, and stranger still, received, credit for a valuable invention, when he substituted a net bonus for a Government loan, which had been intended to be protected by the borrowing companies paying interest.

Unfortunately, the new policy, which attaches substantial conditions to future railway grants, will have the effect of discriminating against new railways and in favor of those which came into existence prior to the change of policy. So far as it will give reasonable protection to existing companies, it is well; but the discrimination may, in a few cases, prove fatal to some projects, which deserved a better fate. The new policy will diminish, in some degree, but will not entirely remove, the scandal of members of Parliament voting for railway grants in which they are personally interested. The independence of Parliament had, through the influence of railway grants, sometimes been put to a perilous test; the new policy will afford a much-needed relief, though it will not remove all danger arising from this source. It would be a mistake to make the new policy the excuse for practically unlimited railway grants. When loans are obtained out of which to make the grants to railway companies, the Government will be responsible for the payment of interest thereon, the money being borrowed, we take it, as a rule, and the repayment of the loan; it will have to pay whether the debtor company be able to meet its engagements or not. And here it will be necessary to guard against anything like a repetition of the experience of the old Municipal Loan Fund.

Now that railway subsidies, for which no equivalent is asked, are abandoned by the Dominion Government, new railways, when they have to compete with subsidized roads, will find it difficult to succeed. This is of course just what existing railways will like; they do not want to encounter competition. New competing roads will have to wage an unequal fight, in order to get a footing and to maintain a position. This is one of the consequences of the old system of subsidies, without which the early railways could not have been built. At first, even the temptation of fat subsidies,