

THE CANADIAN NORTHERN AND THE GOVERNMENT.

Public Ownership of Liabilities—Private Ownership of Profits.

AFTER over three months of steady and persistent lobbying by Sir William Mackenzie, Sir Donald Mann, Mr. Z. A. Lash, K. C., and all the influences which they could bring to bear, the Borden Government presented to the Conservative caucus on April 28th the Canadian Northern aid proposals. These involve a Federal bond guarantee of \$45,000,000, with a further credit, if necessary, of interest payments at four per cent. per annum on these bonds for three years after the completion of the transcontinental line from Montreal to Vancouver. In other words, after giving the company a straight cash gift of nearly \$16,000,000 last session, the Government now proposes to extend a further credit of some \$50,000,000.

Mistrust and Mistakes.

As soon as the proposals were presented to the caucus, two of the leading supporters of the Government, Messrs. R. B. Bennett of Calgary, and W. F. Nichol of Kingston, both lawyers and close students of C. N. R. financing, left the caucus and made public declaration of the fact that they opposed the agreement as being in the interests of the railway promoters and against the interests of the people. After some three hours of what is understood to have been an acrimonious discussion the caucus finally swallowed the proposals.

At midnight on Tuesday, after a two hour final conference in Premier Borden's room between the representatives of the Government and the representatives of the company, the resolution embodying the agreement entered into with the company was sent out to be placed on the order paper of Parliament for the next day. At the same time an *ex parte* and misleading statement purporting to interpret the agreement was given to the press from the Premier's office. The following day the resolution as it appeared on the order paper of the Commons was further amended, some of the securities were withdrawn and there were important changes made in the wording of some of the clauses. Two days afterwards the resolution was withdrawn from the order paper for a still further revision. It appeared again on the order paper of Parliament on May 5th, in what may be its final form.

On May 4th a return was presented to Parliament by Premier Borden giving the first official information demanded in the public interest as to the obligations of the company, its floating liabilities and its financial needs to complete and equip the system. In this return there was a mistake of some \$6,000,000 in addition. The total financial needs of the company were stated to be \$100,379,099, made up of \$41,987,565 required to complete construction, \$10,000,000 for betterments, \$27,441,086 for rolling stock, and \$14,954,714 to pay sub-contractors' accounts on construction work already done. That was the statement in the official return in response to the first demand of the Liberals for information. As will be seen it fell some \$6,000,000 short of the total amount named in the return. It was explained a day later, that this \$6,000,000 was to be accounted for by the omission of an item for the cost

of tunnel and terminals at Montreal. The initial mistakes, however, both in the drafting of the resolution and in the presentation of the return are a fine commentary on what the people may expect from the Government's handling of the whole bargain.

The Outline of the Proposed Deal.

The main features of the bargain itself may be briefly summed up. In essence the people of Canada after paying, either in cash or credit, two-thirds of the capital which has gone into the construction of the road, are asked to become junior partners with Messrs. Mackenzie, Mann and Lash, with \$40,000,000 of the Common Stock owned by the people of Canada, and \$60,000,000 of the Common Stock owned by the railway promoters. The latter occupy the position of senior partner with \$60,000,000 of stock which cost them in reality only the expense of printing the paper certificates. Mackenzie and Mann retain all the profits they have hitherto made in their capacity as contractors for the C. N. R. company. The amount of these profits is at present only conjectural, but it is certain that they run up into the many millions. No accounting is asked. They retain control of the road, control and ownership of a majority of the stock, and if the road should become a profitable undertaking they reap the profits.

Canada, as a junior partner, assumes all the liabilities already contracted, and becomes responsible for the future liabilities entered into by the controlling partner. If the road should become insolvent, Mackenzie and Mann could step out with their profits. The people of Canada will then shoulder the burden and pay the obligations. The Government takes the right to name one director on the Board. It can only take over control in case the road becomes insolvent, and under the agreement, Mackenzie and Mann have three years still in which to finance themselves into the best position either for retaining control or for stepping out with all possible assets and no liabilities. Their personal fortunes are generally understood to be up in the tens of millions. They pledge not a dollar of their extraneous assets in the undertaking. It is doubtful if they have put a single cent of their own money into it. The security they give the Government for the additional public credit of some \$50,000,000 is, according to those who have studied the situation most closely, only the value of the Common stock. That Common stock, as has been said, cost Mackenzie and Mann nothing, and its intrinsic value may be nothing.

These are but some of the main features of the agreement. The whole bargain has been conceived in secrecy, its real meaning and intent when endorsed by the caucus was practically unknown, and the information necessary to an intelligent discussion of the whole matter has not been supplied in anything like adequate form.

The Government has looked after the interests of the railway knights. It remains for Liberalism to look after the interests of the people.