

using, he expects to compete with the all-rail routes. So much with reference to the relative cost of rail-borne and water-borne traffic. There is another element, however. The cost of rail-borne through traffic itself varies very largely, being dependent not merely on climatic questions but also on the quantity of the local traffic. If you have a very large local traffic, which necessitates and makes profitable a very large equipment, a very large staff all along your line, and numbers of these things which are adjuncts to your total traffic, you can carry a through traffic and make money on it at very much lower rates than if you have not that large local traffic. A large local traffic is essential to low rates for through traffic. So that there are varying factors in both questions of great importance. The hon. Secretary of State declared that it was material to look at the capital account of other railways as contrasted with that of the Canadian Pacific Railway, on the theory apparently that the capital account controlled the rates. Sir, the capital account does not control the rates at all. Wherever there is competition, it is competition that controls the rates, and the road that can and does carry cheapest governs the rates for the rest. It is a question whether the rest will take the traffic at the rate of that road or not have it at all. As a rule they do take it at that rate even though they may obtain no compensation or an inadequate compensation for it. They charge no more upon the traffic because of enormous capital accounts. I admit that there is an aspect of this case in which the capital account is of vital importance. I admit that the capital account is a matter of great urgency with reference to the non-competitive traffic—that traffic which, either by law, as is the case in the Canadian Pacific, or in practice, which is more or less the case with reference to some traffic of all railroads, is monopoly traffic. By law a large amount of the traffic of the Canadian Pacific is non-competitive, because the people of the North-West are not allowed to get competition by connections with the south. The Canadian Pacific can fix its own rates, and therefore with reference to that traffic, it will have regard no doubt to the amount of its capital account, so as to be enabled, if possible, to pay fixed charges and dividends thereon. Even if there were power to make through connections, this would largely remain a monopoly traffic. It is more or less the case with every railway, that there is a kind of strictly local traffic in which there is no competition, on which the company fixes higher rates because it is master of the situation. In the case of any company which is master of the situation either by adventitious circumstances or by the law of the land, its capital account will tend to regulate its rates; but if the company is not master of the situation, its rates will be regulated by those who are masters of the situation, and they are masters of the situation who can carry the traffic the cheapest. With reference to the trade between China and Japan and America, and between Europe and America on the one hand, and with reference to the through transcontinental all land-borne traffic on the other, there are of course other considerations. In our country, even as to some of this traffic our great interior seaboard offers for a great distance means of effective competition. But putting that to one side, though it is a valuable regulator of rates—for without it the rates would sometimes be very different from what they are now—and dealing with the land competition alone, there is a very severe competition, whether you refer to the Atlantic or the Pacific with reference to this great transcontinental traffic. The facilities have been greatly increased both to the east and the west until at present they are fully, perhaps more than, adequate to the present demands of trade, though we hope, of course, that the demands of trade in a progressive country, such as the North American continent, will at no distant day overtake and tax to the utmost the facilities provided for this traffic. The amount of traffic on the truck

lines, having 13 termini on the Atlantic, including Boston and New York, and 33 western termini, for the last few years, exclusive of beef, has been as follows—and these figures are very noticeable:

EAST ROUND.

For 1880.....	\$7,500,000
" 1881.....	8,250,000
" 1882.....	5,500,000
" 1883.....	5,400,000
" 1884.....	5,300,000

That is a little more than two-thirds in 1884 of what it was in 1880. The decrease being principally in grain and provisions, as this traffic varies largely according to the crops and to the demand abroad.

WEST ROUND.

For 1880.....	\$1,920,000
" 1881.....	1,600,000
" 1882.....	2,400,000
" 1883.....	2,120,000
" 1884.....	1,920,000

So that in 1884 it became about what it was in 1880. So, if you look to that portion of the traffic across the continent which is carried by the roads having their termini on the Atlantic, you find facilities proved to exist by the traffic carried in the year 1881 and 1882, far in excess of the facilities which were required as proved by the traffic carried in the years 1883-84; and you find in truth that railway construction has got quite abreast of, if not for the moment somewhat in excess of, the demands of the producer and the consumer. If you take the Pacific roads—I will not trouble the House with the figures—you will find they show a great increase in the last two years in the number of roads. It may be said, although some of the roads are common links for the transport of freight, that there are now somewhere about 6 Pacific roads, the result being a very considerable increase of traffic on these roads. It was inevitable from the increase of these roads that a large local traffic should be developed, but although there has been a very considerable increase of local, and even of through traffic, there has yet been an increase of the power of transport in excess of the increase in traffic. The consequence is that there is a very severe competition now for the transcontinental traffic both east and west. The old rates of freight can no longer be obtained for the same classes of goods, and I pointed the other day to an instance in which goods water-borne from Europe are being carried from Atlantic ports to Victoria, B.C., at \$2.10 per 100 lbs., even of the highest class, which tells you what transcontinental traffic means at this time. Another great difficulty we Canadians are involved in is the need of ocean ports with a very large number of seeking ships. For the purpose of that continental traffic, which is to be in part water-borne, you must always consider as one line your rail and your water communication. You must consider the question of transshipment and of freight rates on the ocean as well as the charges on land; and those of us who pay attention, as we must, to the difficulties which are besetting the shippers of the St. Lawrence at this moment, will all recognise, on looking at the figures the importance of these considerations. If they ascertain the cost that is involved in getting the stuff from a common point in the west to the port of Montreal and to the port of New York, and if they ascertain the cost from the port of Montreal to Europe and from New York to Europe, they will find how very important are the considerations of port charges, shipping charges, cost of transshipment, to freight. Now, the freight depends very largely upon the ocean port being an emporium of commerce. Take the case of the port of New York, to which immense numbers of seeking ships constantly go, which is an ocean tramp's resort. These ships go there because that port happens to have accumulated a very large amount of the traffic of the western