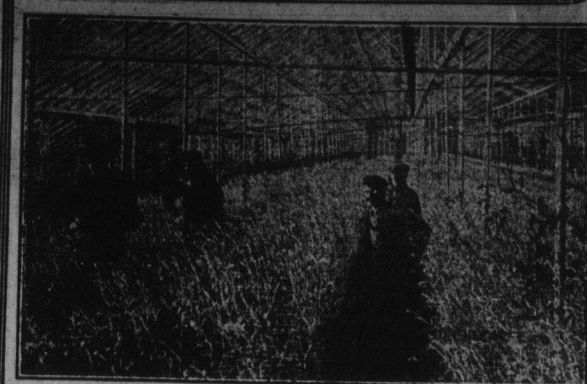


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STRONG DEFENCE OF GRAND TRUNK BY MR. SMITHERS

Chairman of Board Replies
to Criticism of Railway
Commissioners.

PIONEER COMPANY
NEVER DEFAULTED

Difficulties Met and Overcome
and Assistance Rendered
to Dominion.

A strong defence of the Grand Trunk Railway against the criticism of its management made by the majority board of the Railway Commission has been issued by A. W. Smithers, chairman of the Board of Directors, supplementing the statement previously made by President Chamberlain.
Mr. Smithers points out that the Grand Trunk, the pioneer railway of Canada, has never defaulted, during its sixty-five years' existence, on its fixed charges, while a large number of American railways during that period have been in bankruptcy, and in 1895, when the present board of directors took office, nearly half of the American roads were in the hands of receivers.
The total amount of assistance received by the Grand Trunk from the government, Mr. Smithers declares, has been only \$28,000,000 in sixty-five years, as compared with \$347,000,000 received by the Canadian Pacific in thirty-five years, \$288,000,000 given the Canadian Northern in fifteen years and \$114,000,000 received by the Grand Trunk Pacific in fifteen years.

Credit Unimpaired.
The credit of the Grand Trunk has always been maintained unimpaired in London, Mr. Smithers asserts, and it has been able itself to finance the many requirements of its work in Canada. In June, 1916, in the midst of war and on a day when Scarborough was being bombarded and telegraphic communication between London and the north of England was interrupted for several hours, the Grand Trunk was able, with the consent of the British Treasury, to raise a credit of \$12,500,000 in five hours.
Replying to the criticism of payment of dividends, Mr. Smithers says that the common stock of which more than \$20,000,000 represents actual cash, never has received a dividend, and that the preferred stock has yielded dividends intermittently from year to year, as the earnings justified. The Grand Trunk was built by British capital, British engineers and British labor, and has been maintained to this day by British money, says Mr. Smithers. Its capital today amounts to about \$420,000,000, practically all of which is held in Great Britain. Since the present board took office the increase in capital raised in London amounts to nearly \$100,000,000, all of which was raised at a little more than 4 per cent. Mr. Smithers declares that if the money had been raised in New York it would have cost 1 per cent. more and would have resulted in a total extra liability for fixed charges to-day of nearly \$1,500,000 a year.

Many Improvements.
Mr. Smithers summarizes the improvements that have had to be made in the sixty-five years of the company's existence, and points out that during the incumbency of the present board every bridge on the system has been rebuilt, 1,100 miles of the line have been double tracked, heavier rails have been installed, locomotives of ever-increasing power have been put in use and new and larger freight and passenger cars have been provided continually.
The difficulties of the Grand Trunk, he says, by the undertaking of building the Grand Trunk Pacific line from Winnipeg to the Pacific Coast, to make a transcontinental line by connection with the government line from the Atlantic to Winnipeg. The building of this line caused a big real estate boom, which resulted in increased cost of land, labor and materials. Thus the expense of the construction was increased far beyond the original estimates.
To cap everything, came the war, with its disrupting effect on the money markets of the world.
In view of all these facts, Mr. Smithers insists that there is an injustice in the proposal of the majority of the Railway Commission to take over the Grand Trunk, as, one of the parties to the construction of the G. T. P., on terms which its character as amounting to semi-confiscation of the rights of its stockholders. Mr. Smithers contends that the Grand Trunk, with less assistance than any other line, has rendered, with its own resources, far greater service to Canada than any other railway, having not only carried heavy traffic during the stressful last three years, but also having engaged at the request of the government in warlike work.
Mr. Smithers points out that every great railway has had to pass through a critical period, but declares that the reassuring fact is the rapidity with which in nearly every case the development of the country has overcome the critical period and justified the assistance given by the government.

Indebtedness of Canada and Provinces

In Comparison with Other Colonies Canada's Debt is
Low. Financial Standing of Maritime Provinces
Very High---Comparative Figures of New Brunswick and other Provinces.

In reviewing the statistics of municipalities, provinces, states or countries, it is so easy to juggle with figures, that from the same table an optimist might write pages of happy comparisons while a pessimist could write as many pages of apparent blue ruin. The juggling with figures has always been a favorite hobby of Canadian writers, especially during election campaigns. This has been a common practice in both provincial and federal campaigns. Such a condition exists at the present time in New Brunswick. The result of the figure juggling in this province creates absolutely false impressions of the standing of the province and accomplishes more harm than good.

An interesting review of the debts of nations appeared in the world's almanac for 1916, showing the debts of the nations of the world at the outbreak of the war. Canada's debt was placed at \$544,000,000 while the debt of Argentina was placed at \$732,000,000. The populations of these two countries is approximately the same, about 7,500,000 in each country. A better idea of the comparative debts would be gleaned from the per capita figures, as shown in the following table:

Canada.....	\$72
Argentina.....	90
France.....	560
South Africa.....	95
New Zealand.....	190
Spain.....	90

The debt figures of every country in the world have of course been changed since the outbreak of the war in 1914, Canada's in proportion to other countries. At the outbreak of the war Canada's total debt was smaller per capita than that of the United Kingdom, Argentina, Spain, New Zealand, South Africa and numerous other countries. The United States has a large debt but because of its big population, its per capita debt figures out as one of the smallest in the world.
In provincial debts, Canada is no worse off than the United States in each of its States debts. The Maritime Provinces have infinitely smaller debts than have the western provinces. Even accepting the exaggerated figures of New Brunswick's debt recently published, giving the total at \$17,000,000, this is very much smaller than the debt of Alberta, Saskatchewan, British Columbia and Manitoba. British Columbia and Alberta have railway bonded indebtedness larger than New Brunswick's total bonded indebtedness.
Nova Scotia spends about \$470,000 annually for interest on its bonded indebtedness and New Brunswick will this year pay out about \$350,000 on such indebtedness, not including a possible \$250,000 on the Valley Railway. Nearly all the western provinces have guaranteed railway bonds to the extent of millions of dollars.
The Canada Year book for 1915 showed that in that year the province of British Columbia paid out \$494,000 as interest on its public debt; Alberta paid \$657,000; Saskatchewan paid \$693,000; Nova Scotia paid \$470,000 and New Brunswick, \$335,000. New Brunswick's comparative position is thus very strong. Even including the railway interest this year, the New Brunswick interest payments will be considerably smaller than such payments made by Alberta and other provincial governments.
In view of the wide publicity given the finances of the province in recent weeks, the following quotation from the editorial columns of the Standard for June 8, is of interest.
"Yesterday, in the New Brunswick Legislature, the financial representative of a New Brunswick government, for the first time in the history of this province, arose in his place and predicted a deficit of almost \$400,000, at the same time announcing that the province would probably have the largest estimated current revenue on record. In the next breath he stated that, although there would be a deficit, it was the purpose of the government to expend amounts which, aside from the interest on Valley Railway bonds, would exceed the ordinary revenues by practically \$150,000.
The main feature of the budget speech is the attempt by the present government to apply a new method of accounting and in this connection the claim is made that items expended by the Murray administration and bonded for should have been met out of current revenue.
It is interesting to note in regard to this claim that the present government already this session has followed the course it condemns and has voted expenditure of \$700,000 on permanent bridges and \$500,000 on roads for which bonds will be issued thereby adding \$1,200,000 to the debt by one operation.
Another feature of the budget announcement which will strike many people as inconsistent with the government's professions of a desire to keep the ordinary expenditures within the limits of the ordinary revenues is the decision to over expend this year to the amount of \$148,576, which, with the Valley Railway interest of \$246,500, will bring the total deficit on current account up to \$395,076.
Little fault can be found with the increase by the former administration of the debt of province by about \$3,000,000 for every dollar has been wisely spent and as a result we have such creditable public works as the splendid new bridge at the Reversing Falls and other fine permanent structures.
Taken altogether it need only be said that while the present government suggests changes in the method of accounting, and presents its financial review on that basis, it has completely failed to establish that the preceding administration was in any way wasteful or that the province did not receive full value for every dollar expended. Moreover, our new rulers, while admitting that they will have the largest revenue in history, purpose to over-expend to an amount almost reaching \$150,000. That is scarcely in accord with previous promises of stringent economy.
The financial standing of Canada as a country is strong, comparing favorably with all other countries, and the standing of New Brunswick as a province is one of the strongest in Canada, notwithstanding the political knocking which has been given the province. New Brunswick bonds have a very ready market and bring higher net prices than do the bonds of most of the other provinces. All the bonds of the Maritime Provinces sell at very high rates and are readily taken by the financial houses.