

## CANADA AND THE PANAMA CANAL

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### III.—TOLLS AND THEIR RELATION TO COMMERCE

Admitting the broad principle of equal rights for all nations, in respect of the Canal, the question arises as to the establishment of a free canal or the charging of moderate tolls. The consensus of opinion is everywhere largely in favor of the latter course. One of the leading advocates for a free canal is Mr. John Barrett, director-general of the Pan-American Union, who recently contributed an interesting article to *The Monetary Times* on "Canada and the Canal." He said:—

"If the United States would experience the largest benefits possible to its foreign commerce from the Panama Canal, it will make this interoceanic waterway as free to the ships of all nations as are the two oceans which it will connect. The only valid reasons for charging tolls are, first, to pay the cost of operation, maintenance and interest on investment; and, second, to protect the transcontinental railways from the competition of a free canal.

#### Carrying Trade of Free Canal.

"A free canal, at a conservative estimate, based on the data of trade experts, will carry in the first year \$75,000,000 more of the products of the United States than a toll canal, an amount equal to receipts of tolls required to cover operation and interest for five years. At this rate for ten years, without even counting the natural growth from year to year, the increase for that period will pay for the entire original cost of the Canal and liberal interest on the investment, or \$750,000,000. Stated another way, will the United States deliberately throw away an opportunity to increase the sale of its products \$750,000,000 in ten years in order to save \$75,000,000 in tolls?

#### Would Destroy Monopoly.

"An annual appropriation of \$3,000,000 to operate and maintain the Canal and the assumption of its own interest are a small burden to the United States Government compared to the entire annual budget of \$1,000,000,000 for the maintenance of the Government, but a direct annual tax of \$15,000,000 on ships and tonnage is not only a heavy burden to traffic, but means a loss of \$75,000,000 and more, each year, in the commerce of the United States.

"A free canal, in addition to increasing the commerce of the United States in ten years to fifty times the cost of operation, maintenance, and interest, will accomplish other results. It will absolutely destroy all possibility, in any shape or manner, of monopoly in interoceanic traffic."

#### Cites Canada's Example.

Citing the canal policy of Canada, the New York World, advocating a free Panama Canal, drew attention to the fact that this country has expended more than \$100,000,000 to provide ship canals from the Atlantic Ocean to the Great Lakes, a larger expenditure relative to population or resources than the United States will make at Panama, the cost of maintenance and improvements also being relatively larger. Nevertheless, United States vessels are allowed to go toll-free through these costly Canadian waterways. The United States tonnage through the Welland Canal is larger than the Canadian. The tonnage of both countries through the United States and Canadian canals at the Soo is larger than that of the Suez, and probably larger than that will be at Panama. "But Canada rejects the policy of cost tolls or profit tolls where they could be so easily collected," said the New York paper, "and it adopts the policy of making its artificial waterways as free as the high seas. The United States does the same with

its canal at the Soo. Can the United States afford to adopt a Panama Canal policy less generous to Canada or the nations than this Canadian canal policy is to the United States?"

#### Competition of Suez Canal.

The general answer has been in the affirmative. The Panama Canal bill, introduced in the United States House, allows the President to fix the tolls, but prohibits him from putting them higher than \$1.25 per net registered ton. This rate was selected because it was six or seven cents lower than the charge in the Suez Canal. The expectation is that the President will fix the rates at about \$1 per net registered ton, American measurement. This will be expected to give the Canal a marked advantage over the Suez route, so far as the cost of passage is concerned. In addition to this the bill gives the President the right to establish coal and supply depôts along the Canal. By that means the United States Government will sell coal and supplies to passing vessels probably at about cost.

#### Favor Low Tolls.

The common feeling, both in the United States and abroad, is in favor of comparatively low tolls. The low rates and reductions in rates on the operations of the Suez Canal, since the opening of that waterway in 1869, has helped to increase the tonnage from year to year, with only eleven exceptions. In 1906, the tolls were reduced to 7.75 francs per ton; in 1911, to 7.25 francs a ton; and in 1912, to 6.75 francs a ton. Vessels in ballast pay 2.50 francs less than vessels with cargoes. That this reduction in 1906 stimulated traffic may be inferred from the increase in the number of vessels using the Suez Canal, the increase in gross tonnage transported, and the increase in revenue in 1910 in comparison with the respective figures for 1905, the year preceding the reduction stated. The number of vessels increased from 4,116 to 4,533; the gross tonnage from 18,310,400 to 23,054,900 tons; and the revenues from 110,656,400 francs to 127,251,200 francs in 1910.

#### Recommend Toll of Dollar Per Ton.

One of the most interesting contributions to the rate question was that of the foreign commerce committee of the New York Chamber of Commerce. This body recommended a toll of \$1 per ton. They pointed out in their report that it is impossible to determine in advance at all closely the volume of tonnage that will pass through the Panama Canal, and also that it is almost dangerous to hazard even an estimate. "While it is doubtful whether the Panama Canal will be used ultimately to as large an extent as the Suez Canal, yet there can be no question but that a very large volume of shipping will pass through it. It is a lock canal, and its operation for large steamships is still a problem that will be solved only by actual experience. Trade for North American and South American ports will no doubt avail very largely of the Panama Canal. As regards trade for the Far East, it is somewhat problematical, as the distances across the Pacific are very great, necessitating a large portion of the steamship's room being taken for coal, there being so few coaling stations in the Pacific. This will add materially to the cost of Far East voyages to China, Japan, the Philippines, Australia and New Zealand."

#### Estimated Cost of Operation.

The nearest estimates of cost of interest and operation the committee were able to secure, and a portion of these were largely problematical, are as follows:—

Yearly cost of interest on bonds issued for construction of the Canal about.....	\$11,000,000
Yearly cost of upkeep of the Canal for improvements, repairs, contingencies and labor for operation .....	3,500,000
Total cost per year, which does not include provision for mortization of bonds .....	\$14,500,000