

price for which it may now be obtained, its use would result in a saving of not much less than half the present cost of the fuel. On this subject we examined the locomotive Superintendent, who supplied us with the particulars of a trial made by him several years ago, with Lingan coal from Cape Breton. The trial, of which the particulars are given in Appendix G,\* resulted in a very considerable saving, but the coal now obtainable immediately on the line of railway, is both superior and cheaper for locomotive use than the Lingan coal. If, therefore, any reasonable arrangement can be made with Mr. Hyde for the abandonment of his wood contract, we think it should be done; but while advising this we desire to add, that the conditions of the contract both as to the price to be paid for the wood, and the quality required are advantageous to the department, and could not, we believe, be improved so long as wood is used as a fuel. And here we may remark that the misunderstandings which have arisen between Mr. Hyde and the Commissioner as to the delivery of the wood, appear to be of very easy adjustment. By the terms of the contract, the railway manager undertakes to provide a certain quantity of storage for the wood, and Mr. Hyde engaged to provide a further quantity. Mr. Hyde has to a limited extent complied with his part of the contract, but the railway has not provided any storage whatever. Mr. Hyde urges this failure on the part of the railway as a sufficient justification of his own failure to erect all the woodsheds stipulated for by the terms of his contract. We do not agree with him. In view of the probable substitution of coal for wood, at least so soon as Mr. Hyde's contract has terminated, it would be folly for the railway to incur a heavy expenditure for the erection of extensive woodsheds. The same reason may justify the non-construction of sheds by Mr. Hyde, but in the event of negotiating with him for the surrender of his contract, the value of the sheds which he may fail to erect should unquestionably be considered.

The non-erection of sheds however is not necessarily an obstruction to the delivery of the wood, neither does it impose any inconvenience upon the contractor. He can go on delivering the wood on the site of the proposed sheds, where he can saw and pile it exactly as it would have been sawed and piled in the sheds. Mr. Hyde may then be paid in accordance with the terms of his contract. Such an arrangement would, we submit, remove all just cause of complaint on either side.

The communication which Mr. Hyde addressed to us on this subject will be found in Appendix H,\* and the contract between him and the Commissioner in Appendix J.\*

We have more fully considered the arrangement for paying by certificates drawn on the Dominion Paymaster for specific purposes, and on this subject we have now to add that while we find no valid objection to the continuance of the system, we are of the opinion that to work it without occasioning inconvenience there are certain conditions which must prevail. The most important of these conditions is that the certificates shall so far partake of the character of a cheque, as to be as readily converted into cash.

It is important that the delays which appear to have occurred should be avoided, and that persons residing outside the city and who are entitled to receive small sums of money, should not, as we are told has sometimes happened, be detained over night at a cost for expenses which to them is an important outlay. The remedy for this, and for the objections made to the certificate system by the commissioner and the accountant may, we think, be easily found, and should be at once applied.

It is understood that in ordering the adoption of the system of payment by certificate, the principal object is to keep an exact account of the progressive expenditure under each authority granted, and to make the expenditure under each of such authorities as shown by the railway accounts, agree with the accounts kept at Ottawa.

This may be done so far as the money drawn for each account is concerned; but it is impossible to insure that the actual cost of maintenance and traffic expenditure shall correspond with the money drawn for that account during any specific period. And for this reason; it is no more possible to work a railway than it is to carry on any other commercial enterprise without a working capital. In the case of the railway, this capital is represented by the stock of fuel, road material, stores and general supplies which are on hand for the service of the road. The capital thus represented, must necessarily be an item of considerable magnitude, and it will fluctuate from time to time as the purchase and expenditure of the various articles approach to or diverge from each other in amount.

When the value of the stock is less at the end of the year than it was at the com-

\*Appendixes not printed.