

port of Dec. 22 last: 'It seems unnecessary to review the many instances of mismanagement, reports of which in some cases are quite true, in others much exaggerated. There is evident disorganization. We believe that radical changes in management are needed.'

"It is evident that there has been general incompetency in the management, and primarily the responsibility for this must rest on the President, who has practically controlled the Company's operations since its organization. The appointment of his nephew as Manager is indefensible on any ground whatever. I have scarcely any acquaintance with C. T. Long, having only met him briefly on a few occasions, and I have no personal feelings against him in any way, but the inquiries I have made from people competent to judge, show that he is utterly unfit for the position. He had no previous experience whatever in transportation matters, and his training as a newspaper reporter and commercial traveller for T. Long & Bro. was certainly not such as should have been required in the manager of a company with a capital of \$840,000 at stake. He may be a very competent man for other work, but he should never have been given the managership of this Company, and I have no hesitation in saying that the appointment was an outrage on the shareholders, and I think all the directors are to blame for not suspending or removing him when Clarkson & Cross presented their interim report on Dec. 22, instead of which he was allowed to remain in the position, and to make arrangements and contract liabilities for the current year which will considerably hamper a new manager. I have considerable information in regard to C. T. Long's course in connection with this Company, which I do not think it necessary to go into to-day, but which I shall make public should it be required in the interest of the Company.

"It is charged that the staff has been unnecessarily increased, and that too much money has been spent for printing, advertising, etc. Clarkson & Cross' report is conclusive on the first of these charges. Notwithstanding the fact that the Company's earnings were decreasing, the general staff has been unwarrantably increased. The statement shows that the salaries of the Sarnia division in 1902 were \$10,680; in 1903 they were \$16,472; an increase of over 50%. The salaries of the Collingwood division in 1902 were \$5,044; in 1903 they were \$7,040, an increase of over 42%. To this must be added the directors' fees, etc., which are part of the cost of management. In 1900 they were satisfied with \$880, in 1901 this was increased to \$2,940, and in 1902 to \$3,910. In justice to the directors generally it should be stated that of the latter amount the President drew \$2,500, the Treasurer \$750, the Secretary, who merely had to sign his name, \$150; and \$510 were paid in board meeting fees. In the figures I have given respecting salaries, the pay of the officers and men of the steamers is not included. Part of the increase is due to the appointment of C. T. Long as Manager, and to the extraordinary and unnecessary employment of Capt. P. Campbell at Collingwood in a sort of advisory capacity. Expense accounts are not included in the statement, and I may add that I am informed that the Manager's expenses for 1903 were some \$750, and that in addition he overdraw his account some \$200.

"In regard to printing, etc., there is every reason to believe that a large amount of money has been wasted, or at least extravagantly used, for framed lithographs of the steamer Huronic and in other ways. This should be thoroughly investigated, and it should be ascertained who authorized the expense. Had prompt action been taken when I first brought the matter before some of the directors last autumn some of this expense might have been

avoided. I understand an expensive advertising book is being got out for the Company in the United States, and it would be interesting to know what liability has been incurred in connection with it.

"In the draft resolutions already referred to, I proposed that Clarkson & Cross should ascertain the respective amounts paid to directors of the Company or to any company in which such directors are known to be interested, for supplies, etc. I have reason to believe that if this had been done it would have shown that certain directors have sold large quantities of supplies to this Company. This information should yet be obtained, and it should be ascertained whether such supplies were bought in open competition, and if not, how the prices charged compare with the then current market rates. I notice that among the items included in the cost of the steamer Huronic is one for \$9,294.75 paid to T. Long & Bro. for carpets and other fittings. Naturally for a large order like this the great carpet houses like John Kay, Son & Co. and the T. Eaton Co. should have been asked for prices. Was this done, and did T. Long & Bro. get the order because they were the lowest tenderers? The shareholders should be informed who has done the buying for the Company, who has checked the accounts, who has approved them for payment, and who has signed the checks. Of course the officials, having been under the control of J. J. Long, were practically at his mercy so far as the retention of their positions was concerned. They were dependent upon his good-will for advances in salary, and it could not be expected that they would drive hard bargains at his store, or that they would make any startling deductions from accounts rendered by his firm, no matter what prices might be charged. I presume the accounts were subject to the final approval of the President, and he would not be likely to deal in any way but leniently with the invoices of T. Long & Bro. Perhaps in these cases he has of late delegated the power of approval to the Vice-President, but the final result would be the same. I believe a great saving could be effected if the supplies were purchased on business principles in the open market, and not necessarily from directors.

"The steamer Huronic was built by the Collingwood Shipbuilding Co., of which certain directors of this Company were the promoters, and in which they were largely interested. Were tenders invited from other shipbuilding companies, or was the contract awarded without competition? I am told the Collingwood Shipbuilding Co. has also done considerable repairing work for this company. How were its charges regulated, and by whom were the accounts checked and finally approved?

"The next is what I consider probably the most serious of the charges, viz., that certain directors have for several years enjoyed a special tariff for the carriage of their goods, and that another company in which the same directors are interested has also enjoyed special rates of freight. These are no haphazard charges. I stated deliberately to Osler and Hammond and to Mr. Clarkson that ever since the organization of the Company, up to at least October last, T. Long & Bro. enjoyed a special rate of 20 cents per 100 lbs. on groceries, etc., and of 15 cents per 100 lbs. on heavy coarse freight, such as oats, hay and potatoes, from Collingwood to destination on Lake Superior. I have been in communication with officials of the C.P.R., which company operates steamboats on the great lakes, and with other authorities, and find that the granting of average or all-round rates is entirely opposed to the cardinal principles which govern freight traffic. Freight is carried by the various transportation companies under what is known as 'The Canadian Freight Classification,' number 12 of which is

now in force, and a copy of which I have here. Under this classification no shipment can be made under the general head of 'Groceries,' but the various kinds of groceries have different rates. For example, tea in less than carload lots is first-class, and in carload lots third-class. Pickles in less than carload lots range from first to third-class, according to packages, and in carload lots are fifth-class. Articles under different headings cannot be carried in mixed carloads at carload rates. Under the heading of groceries in less than carload lots, 200 articles are specified, the average classification of which is between second and third-class, or actually 2-1-5. In carload lots 180 articles are specified, the average classification of which is between the fourth and fifth classes, or actually 4-3-4. For the whole 380 headings under both less than carloads and carloads, the average classification is between third and fourth classes.

"I have obtained copies of the local freight tariffs issued by the Collingwood and Sarnia offices of the Company. The Collingwood one is confined to Georgian Bay and Lake Huron ports, as far as Sault Ste. Marie. The Sarnia one covers from Lake Huron ports to Sault Ste. Marie, Port Arthur, Fort William and Duluth. On both it is stated that they are governed by the Canadian Freight Classification, conclusively showing that freight should not be billed on a flat or all-round rate, but that it should be charged according to the rating in the classification. The tariff from Lake Huron to Lake Superior ports ranges from 40 cents per 100 lbs. for 1st class freight to 20 cents per 100 lbs. for 5th class freight, an average of 30 cents per 100 lbs., as against T. Long & Bro.'s special rate of 20 cents. In other words, the special all-round rate they have enjoyed is one-third less than the average of the regular tariff. As previously explained, their special rate for all groceries is 20 cents per 100 lbs. from Georgian Bay and Lake Huron to Lake Superior. This is divided on the basis of 50% to each steamer, that is to say, the steamer carrying it from Collingwood to Sault Ste. Marie gets 10 cents and the Sarnia steamer taking it further up Lake Superior gets 10 cents, but from this has to be deducted wharfage charges on the transfer at Sault Ste. Marie, amounting, I believe, to from 2 cents to 3 cents per 100 lbs. The Collingwood office's local tariff shows that the rates from that port to Sault Ste. Marie range from 25 cents per 100 lbs. 1st class to 15 cents per 100 lbs. 5th class, an average of 20 cents, but instead of that on T. Long & Bro.'s freight to Lake Superior only 10 cents less the wharfage has been realized for the Collingwood division. Is it any wonder that this division was run at practically a loss last year?

"There is another important phase of this question. There was a large amount of west-bound package freight offering last season at full tariff rates, certainly as much as the boats running from Sarnia could carry, and I have reason to believe that they had to leave some of this behind in order to accommodate some of the lower rate shipments of T. Long & Bro.

"The fact of these special rates having been granted has been for several years the subject of much comment among the wholesale trade of Toronto and Hamilton, and has diverted business from this line, as on account of the discrimination some firms would not ship by it.

"I regret that Clarkson & Cross have apparently not been able to get thoroughly to the bottom of this special rate business. Early last week in conversation with Mr. Cross, I learned that up to that time it had not been dealt with, as he seemed to think it better to present a general report, stating that mismanagement existed, rather than to go into details. I impressed upon him that it was of the utmost importance that it should be looked into, and he promised to do so, but as he was