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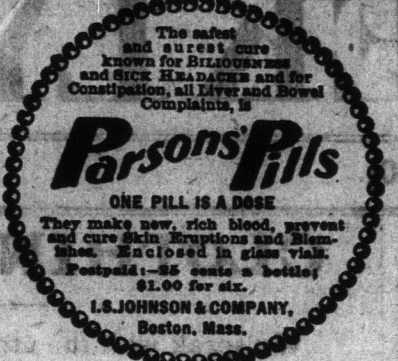
His Deceptive Method of Charging to Capital Account

What is Charged by the Grand Trunk and Other Big Roads to Ordinary Revenue.

Exposed by Mr. Barker, M. P. for Hamilton, Ontario, in a Speech Bristling With Facts and Figures.

(Hansard, May 22.)

Mr. Samuel Barker (Hamilton)—I think I need offer no apology if I ask the indulgence of the house for a very short time while, even in these last hours of the session, I offer a few remarks upon the methods adopted by the minister of railways and canals in the accounts that he presents to this house. If any excuse be needed, I think I would only have to say to the house that during the five years the minister of railways and canals has presided over that department, he has added to the capital account of the railways of this dominion, including the estimates of the minister of railways, nearly \$13,000,000, not including in that one dollar for the Drummond County railway, nor including one dollar for capitalisation, or any charge connected with the Grand Trunk railway; but limiting the sum strictly to items connected with the administration of railways under his charge. While professing to work these railways at a profit, he has added \$13,000,000 to capital account, and that \$13,000,000 has been added to the debt of the country. Sir, I think that fact would justify some remarks in line of the resolution moved by the hon. leader of the opposition, and I propose to offer a few remarks upon the methods adopted by the minister of railways. I shall contrast the methods adopted by every railway company in the United States or Canada. Some weeks ago, when he was presenting his estimates to this house, I pointed out to the hon. gentleman that when renewing his track with 80-pound rails, he was proposing to charge the whole of the eighty pounds to capital. The hon. gentleman seemed surprised that I should question his right to do so. He gave various reasons why it would be impossible for him to do otherwise. Some of the reasons were that the rails were very old, they were worn out, and had to be replaced by new ones—as if that affected the principle upon which the charge should be made. Then he went on to say that he was increasing the weight of rails, owing to the greatly increased weight of the locomotives and trains, and therefore he charged all to capital; and that it would be unfair to charge revenue as he had to change so much in a short time. Why, sir, there is nothing new in that. The hon. gentleman knows that for the past twenty-five or thirty years every railway in this country has met that question. When old iron rails had to give way to steel, all the railways in the country had to take up hundreds of miles of rails in a year. Did they transfer ordinary revenue charges to capital account only for that reason? No, sir, they never did such a thing, they would not have been allowed to do it. When the rails have been renewed, the weight from time to time, not a rail way in the country, from the biggest to the smallest, ever thought of transferring charges against revenue to capital account. But it was left to the hon. gentleman in the last couple of years to change all that. He adopts a new system, and looking through his accounts, I see he had good reason, from his own point of view, for adopting a new system. I did not think it would be necessary that I should quote any authority for the principle that I have laid down, a perfectly clear and well understood principle, that when the hon. gentleman is substituting an 80-pound rail for a 67-pound rail, he is entitled to charge the extra thirteen pounds to capital, and all the rest is to be dealt with precisely as if he were merely renewing the old rails. Why, every railway in the country treats it in that way. The hon. gentleman chooses, for special reasons of his own, to vary from that. I shall take the liberty of trying to point out why he varies from the usual course. I should like, although it ought not to be necessary, to strengthen my position, by reading a paragraph from the report of the Grand Trunk Railway Company, showing how that company deals with this very question. I will take the report of 31st December, 1897—the hon. gentleman can find similar items throughout all the reports—but here is how the Grand Trunk railway deals, in its half-yearly report, with the cost of the heavier rails:



principles adopted universally, and it is the principle that the hon. gentleman should adopt. That, Mr. Speaker, would simply put the hon. gentleman in this position: the hon. gentleman would charge to revenue the cost of the new 67-pound rails and he would get a credit against it for the old scrap. But, if the hon. gentleman had thus in the regular way charged his renewal against his revenue what would have become of this surplus of \$62,000 that he had the year before last and the surplus he had last year of \$120,000? The hon. gentleman knew perfectly well what he was doing in this respect. I do not want any better authority for the principle I am contending for than the hon. gentleman himself. The hon. gentleman began all right. It was not until he came to the year 1899, when he knew that the general elections were about to take place, that he adopted a different plan. The hon. gentleman himself began by charging the renewals to revenue. In 1896 when the hon. member for South Lanark (Hon. Mr. Haggart) was minister of railways and canals, 45 miles of railway were laid with heavier rails. The whole of that work was charged to revenue. I think the hon. gentleman was hurting himself a little when he did that. There was need for it, but it was certainly an error on the right side; it was in favor of economy as against a principle that must lead to extravagance. The hon. minister of railways and canals, in 1897, followed the example of the hon. member for South Lanark and charged the rails that were put down in that year to revenue. Well, it was coming down to a very small point on this government railway when the hon. gentleman could only find 19 1/2 miles to renew. His track was going from bad to worse; necessity—the need for active and continuous renewal had been admitted; the rails were old and he actually renewed in that year, 1898, 19 1/2 miles, at which rate it would have taken him fifty years to renew the whole track. The hon. gentleman is now in a tremendous hurry to get it done and he wants millions to be spent upon the work within the next year or two, while, in 1898, 19 1/2 miles sufficed for him. Now I come to the year 1899. In that year the hon. gentleman does not appear to have laid one rail, except, perhaps, a rail here and there in place of a broken one. Not a dollar seems to be charged to revenue or capital that year. Why? It is apparent, and I shall have occasion to refer to the year 1899 again. 1899 was the year reported upon in June last, the report upon which the hon. gentleman and his colleagues were to go to the country, and it was most important of course, when it came to this year, 1899, that there should be a balance on the right side to show that he was a great administrator, that he had brought order out of chaos, that he had a surplus, while the hon. member for South Lanark had had deficits, and that he had been able to show a profit even though that profit was only \$62,000. Therefore, the hon. gentleman drops his rail account for the year 1899 and he charges to capital what he had needed renewals. Last year he asked for an appropriation of \$420,000 for rails, every dollar to be charged to capital. He succeeded in that; apparently there was not much comment about it, and the hon. gentleman was so emboldened by success that this year he asked for \$714,000 for steel rails, every dollar of which is to be charged to capital. It is surprising that the hon. gentleman does not charge the ordinary wages of his conductors and engineers to capital. He would make a handsome surplus if he did, and he has as much right to charge the wages of the conductors and engineers to capital account as to charge new rails which merely replace old ones. I do not know that there is much cleverness in it. It is a thing that anybody can see through, but the trouble is to examine the accounts. Out of that \$420,000 that the hon. gentleman asked for last year on capital account, assuming that the rails were 67-pound rails, and the new ones 80-pound, about one-sixth only ought to have been charged to capital, that is, instead of \$420,000 going to capital account, less the value of scrap, the hon. gentleman was only entitled to charge \$70,000 to capital. He should have charged the remaining \$350,000 against his revenue, crediting his revenue with the scrap. Out of the \$714,000 that he has asked for this year, less than \$120,000 is chargeable to capital, and he should have charged the balance to revenue less his scrap again. The hon. gentleman simplifies the matter. He cuts revenue out of it altogether and charges all to capital, but I hope he will at least give credit for the old scrap iron.

When it will not pay to renew or repair these locomotives and when it is cheaper to send it to the scrap heap. And so, year after year these old engines are falling into the scrap heap, and the management keep ahead of their requirements so that when a locomotive is worn out they have another one to replace it. The minister of railways tells us that the year that he keeps up his locomotives in an efficient condition, but then he keeps ahead by buying 62 on capital account. Next year the cripples will be coming in, but the minister of railways will be safe from any trouble, because he has already got new ones at the expense of capital. I want to say a few words about the rolling stock generally, of the Intercolonial railway. The minister of railways tells us in his report each year, that all his rolling stock is kept in an efficient condition. I find that in the report for the present year, handed over from the year 1899—the election year, when the hon. gentleman was cutting down his expenses by book and by rule—the hon. gentleman laid no rails—the hon. gentleman turned over at the end of that year 628 cars and coaches and locomotives condemned as unfit for service. And during the year 1900 he added 296 to this stock. 334 condemned articles of stock. Well, that is pretty good for the minister; 334 condemned efficient locomotives and cars! The minister goes on in his report to show that out of the 628 and the 296, he rebuilt 332. That is a very important statement, and if it is strictly accurate it would have said a great deal in favor of the minister of railways. When I examined his stock list, and saw that 332 were, I thought that perhaps the stock list had been cooked, and I looked. But I turned to another part of this singular report. There is hardly a page of it that you won't find varied a little by another page. I turn to page 62 of the report and I find that instead of rebuilding 332 the minister actually rebuilt only 53, namely, four locomotives, two box cars, eight platform cars, seventeen coal cars, and two flangers, being 33 out of the 332. The inference is, that this is about all he could find that was worth rebuilding, because he was forced to buy out of a stock of 332 cars to make up his 332 rebuilt. But that would still leave the hon. minister 431 short and the question remains, how did the hon. gentleman get along with his traffic with 431 short? It is a very serious withdrawal from traffic to have 431 taken away, and how did the minister of railways arrange it? Why, he bought on capital account 473! Some hon. members—Hear, hear.

Mr. Barker—The minister ought to have charged 431 out of that 473 to revenue of course, but not he. They all went to capital and the hon. minister went along making his profit out of that capital. I looked at page 59 of the report to see what the 473 cost him on an average, and I find that the average price was \$1,112. Therefore, the 431 which the minister ought to have charged to revenue would have amounted to \$478,000, but what would have become of his surplus if he had that? The hon. gentleman had to get a surplus and how could he get a surplus if he charged all this to revenue? I might refer to other charges to capital, as, for instance, when the minister replaces buildings which have been burnt down, he charges them to capital; so that you have two charges against capital, and only one asset. I do not know how the minister is to balance his books by and by. It would puzzle an ordinary auditor of a railway company, but the minister may be capable of it. Now, I have another charge to make and, to my mind, it is a much more serious one. The figures are not quite so large as those I have been dealing with, but they present a feature of the management of government railways which is very serious and, I think, especially so if it is serious if the hon. member for East York (Mr. Maclean) is ever to be able to induce the government or the country to take his idea of the ownership of government railways as to be worked as a business. Now, I have another charge to make and, to my mind, it is a much more serious one. The figures are not quite so large as those I have been dealing with, but they present a feature of the management of government railways which is very serious and, I think, especially so if it is serious if the hon. member for East York (Mr. Maclean) is ever to be able to induce the government or the country to take his idea of the ownership of government railways as to be worked as a business. Now, I have another charge to make and, to my mind, it is a much more serious one. The figures are not quite so large as those I have been dealing with, but they present a feature of the management of government railways which is very serious and, I think, especially so if it is serious if the hon. member for East York (Mr. Maclean) is ever to be able to induce the government or the country to take his idea of the ownership of government railways as to be worked as a business.

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Table with 2 columns: Year and Amount. Rows for 1897, 1898, 1899, 1900.

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July 1898, he had increased the number to 332. And on the 1st July, 1899, he had increased it to 628. But by the 1st July, 1900, with the help of the new cars he bought, he reduced it again to 442. I do not think the hon. gentleman will get very much comfort out of that. Let me take the repairs for the year 1899 and contrast them with the year 1890 in another way. The total amount spent by the hon. minister, on the four items of repairs that I have mentioned, in the year 1899, was \$451,000. In the next year he spent \$789,000 so as to make up for the neglect of the previous year. This is no fanciful array of figures. I have not given one figure that I have not taken from the hon. gentleman's own report, and I defy him to show me that the figures I have given are wrong. The result is that in 1899 the hon. gentleman did not spend anything on rails, but if he had spent what he should have spent and revenue charge to revenue, he would have charged to that account some about \$176,000. He should have renewed at least 100 miles every year, according to his own representation of the condition of his tracks, and if he had done so in 1899 that would have entailed a revenue charge of about \$176,000. Adding that to the \$154,000 which he saved on his rolling stock, you have \$330,000 which the hon. gentleman should have charged up against revenue, but did not in order to show this surplus of \$62,000.

Then there are the bridges, but into that branch I cannot go, because no one can tell, from the data given, how much or how little of that expenditure should be charged to revenue. I only know that he charged it all to capital in the same way as he did those extended sidings all over the line. We all know what a multitude of sins a team can cover. Nobody can point out exactly how much the hon. gentleman may have spent on renewals of old sidings and repairing and rebalancing, but we know at least that the hon. gentleman, by neglecting repairs and by his system of book-keeping, made a better showing by \$330,000 than was actually the case.

In 1900 he did not buy sufficient new rails and he ought to have charged at least \$130,000 to revenue more than he did on rail account, and, as I have shown, he charged to capital account 431 cars and locomotives which he ought to have paid for out of revenue, at a cost of \$522,000. That makes \$652,000 for the year 1900, which the hon. gentleman did not charge to revenue account in order to show a surplus of \$120,000. There was, therefore, at least a half million dollars of a loss instead of a profit of \$120,000. But the hon. gentleman, in speaking of this couple of weeks ago, asked what difference did it make. And the hon. gentleman looked so innocent. Why, he goes to the country and says: Look at me; look at the prosperity of the country; look at my surplus of \$120,000. That is a part of that surplus consists of the \$62,000 and \$120,000, which the hon. minister of railways handed the minister of finance on paper, while if the truth were told, the hon. gentleman would have had to admit about \$60,000 of a deficit.

The Minister of Finance—As my hon. friend is quoting me, I may say that it made no difference in the debt statement. It would make a difference in the surplus of the year, but not as affecting the debt statement of the year.

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