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The Brain Growers' Guide

Winnipeg, Wednesday, March 25th, 1914

THE C.N.R. DEAL

It becomes daily more apparent that the careless manner in which our governments provincial and federal, have bonused and guaranteed railway enterprises for the past twenty years is now bearing very bitter fruit. Deluded by the cry, "We must have people and we must have railways to serve them," our governments, both Liberal and Conservative, have literally thrown into the hands of railway promoters land grants, cash subsidies and bond guarantees in fabulous quantities, without ever making the slightest effort to see that it was properly used or that the liability of the public was sufficiently secured. Such a wanton misuse of the public money, natural resources and public credit could not fail eventually to produce disastrous results. The contract with the C.P.R., more than thirty years ago, was a most extravagant one, and the people of Canada have paid for it and are still paying for it a tremendous toll exacted by the vast and absolutely uncontrolled power of that great corporation. The C.P.R. was a necessity and has become a splendid railway system, a credit to any country, but it could have been equally as efficient at half the cost to the people. This first experience should have taught governments caution, but it taught them nothing. More railways were needed in the West to serve the ever-growing population, which had become widely scattered by a ridiculous land policy. Mackenzie and Mann were ready with their ideas of the C.N.R. They had the ideas but not the money. So attractively did they place their ideas before the various governments of Canada that they asked and received whatever they liked. The Manitoba government guaranteed their bonds to the extent of \$25,000,000, the Saskatchewan and Alberta governments for smaller sums, and the British Columbia government for an amount equalling or exceeding all three combined. The Dominion government added to these guarantees until the huge total, as admitted by Sir William Mackenzie himself, is over \$131,000,000. If the C.N.R. is unable to pay the interest on this huge sum then it must be paid from the public treasuries of the Dominion and the provinces, and would result in such a financial disturbance as can hardly be conceived. This is the situation which seems to face the Dominion government as a result of the recklessness of the late government and the provincial governments. The Laurier government guaranteed bonds for \$35,000,000 to the C.N.R. for the construction of their line around the north shore of the Great Lakes. This line was not needed, and was never asked for by anyone except Mackenzie and Mann. But they got the money simply by asking for it. They got everything they went after. Not a single government made the slightest effort to see that the money they guaranteed actually went into railway construction, and it is claimed that in no case is the security sufficient to be realized upon in case the C.N.R. defaults in the payment of interest. Neither was any control of freight rates secured by any of the governments, except to a certain extent by the Manitoba government. The only thing, apparently, in the minds of the governments was to hand out the money or the credit (which is the same thing, so far as the public is concerned, in this case) with a splendid disregard of the interests of the Canadian people.

Next came the National Transcontinental and the Grand Trunk Pacific. The G.T.P. was bonded to an enormous extent by the

Dominion government and the usual blunder was made in the contract, by which the government was forced in addition to guarantees, to put up a huge cash subsidy. The G.T.P. was needed in the West, but there was no need of such an expensive road. It is now coming to be the general opinion that the National Transcontinental from Fort William to Moncton was a huge and costly mistake and that it could well have been dispensed with. Present indications are that the G.T.P. will refuse to take it over on account of the high cost of construction, and that the government will have it on their hands to operate.

All this vast program of railway building, on public money, created a fictitious prosperity which always follows an era of unlimited borrowing and wild speculation. The Borden government came into power just as the harvest of this unwise sowing was beginning to ripen. The first move of the new government was to give the C.N.R. or Mackenzie and Mann, a cash gift of \$6,000,000, and at last session of Parliament this was followed by another cash subsidy of \$15,000,000. This money came right out of the taxes collected from the people and the Liberals made only a half-hearted opposition to the donation. As usual and according to Liberal precedent, the government took no precaution to see that the money actually went into railway construction and not into the pockets of the promoters. It was currently reported at the time that one of the large chartered banks had become so deeply involved with the C.N.R. that this \$15,000,000 gift was necessary to save the institution. But the public were told nothing.

And now the C.N.R. is after more money. This time it is said that they first went after a subsidy, but that the Conservative party would not stand for any further grafts of that nature. The latest report is that the government has provisionally agreed to a guarantee of \$40,000,000 or more. It is further stated that unless this guarantee is forthcoming the C.N.R. cannot pay the huge interest due on its outstanding bonds. If the situation outlined is accurate the government faces five alternatives:

1. Allow the C.N.R. to go into a receiver's hands.
2. Allow the C.P.R. to take over the C.N.R.
3. Appropriate and operate the C.N.R. as a public utility.
4. Give the C.N.R. another cash subsidy.
5. Guarantee the bonds of the C.N.R. to a sufficient amount to keep the road going.

If the C.N.R. went under the reaction would probably also wreck the government and many financial institutions, and the final result would have a salutary effect upon public financing in Canada, it is a possibility that no government would consider. If the C.P.R. were allowed to acquire and operate the C.N.R., it would be far better than the present miserable system, but the C.P.R. already wields too great an influence in the political world to permit any further extensions. The right and proper step would be for the government to take over the C.N.R. and operate it in connection with the Intercolonial, and if we had clean politics and courageous politicians that course would be followed. But political expediency still is the dominant motive in Canadian politics and there is little likelihood of the government taking over the C.N.R. Another huge cash grant would so arouse the indignation of the public that the Conservative party would probably not risk it. The likeli-

hood is that the government will guarantee the bonds of the C.N.R. for a very large sum of money. If the critical situation is outlined to Parliament as above few, if any, members on either side of the House will have the courage to oppose it. As we have said before, the C.N.R. problem is not of Mr. Borden's own making, but was a legacy handed on by the late government. Up to the present Mr. Borden has not exhibited any higher degree of statesmanship in handling the C.N.R. than was exhibited by Sir Wilfrid Laurier. He has an opportunity now to show his calibre. Probably Mackenzie and Mann have little or nothing to lose if the C.N.R. were to go into a receiver's hands, as they have mighty little of their own money in it. Mr. Borden can, if he will, and should expose to the public the whole history of C.N.R. financing and allow the people who pay the bill to see where the money has gone. The public should know if Mackenzie and Mann have grown wealthy by starving the C.N.R., thru a system of contracting originated by themselves. The public should know if they have been donating to the campaign funds both federally and provincially of both parties, as is generally believed to be the case. Is Mr. Borden big enough to uncover the whole mess? And then when he guarantees the bonds this time will he demand security on all the C.N.R. common stock and everything else owned by the C.N.R. and take control of further stock issues? Will he further protect the public by taking security on the vast private properties of Mackenzie and Mann? If he protects the public properly Mr. Borden will see that his government is the controlling factor in the destiny of the C.N.R. henceforth. Better would it be for Canada to take over the whole system, accept a loss, if need be, and have a real voice in freight rates and railway control. But it will be a bond guarantee, and, as far as we can see, this will be followed by others in the future. Canada's railway development, despite its spectacular features, is one of the darkest chapters in our history.

KEEP US GOING

Last week we pointed out to our readers that the present bargain subscription rate of \$1.50 for three years would be positively discontinued after April 1. After that time our regular subscription rate will prevail, as follows:

- \$1.00 for one year.
- \$1.50 for two years.
- \$2.00 for three years.

Some of our readers have written to ask why it would not be better to reduce our subscription price permanently instead of paying agents for taking subscriptions. This seems a very reasonable proposition until examined. Long experience, however, has shown us that in order to increase the circulation of The Guide it is absolutely necessary to have agents to help us, and we cannot ask agents to spend their time without paying them for it. If we were to reduce the subscription to The Guide to fifty cents per year we would still have to have agents to help increase the circulation of the paper, and would still have to pay a commission. There is no other weekly paper in Canada printed on the same quality of paper and bound that is sold at less than \$1.50 per year, and by selling The Guide at \$1.00 per year we are losing a lot of money. We, however, expect to make up this deficit thru our ad-