

# The Monetary Times

## AND TRADE REVIEW,

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## THE \$30,000,000 LOAN VIRTUALLY VOTED.

As had been foreseen, the resolutions pledging the Legislature to grant the thirty million dollars loan to the Canadian Pacific Railway Company have been virtually carried, by a large majority, 132 against 62. The vote was negative, in rejection of an amendment; but it indicates what the affirmative is likely to be. The division was a party vote; and just such a vote may, when the loan becomes repayable, release the security or place the lien held by the Government behind some new creditor. The security, let it be admitted, is good enough. But will a foreclosure be enforced, if repayment be not made?

The course of the debate shows that the way has been left open to future demands on the part of the Company. The Government has been put in the attitude of asking the Company to hurry the road to completion, five years before the time named in the contract; and we shall probably hear, at some future day, that the Government took advantage of the necessities of the Company and forced it to declare its willingness to surrender its monopoly in Manitoba and the North-West, as soon as the section north of Lake Superior is finished. But that promise has not even been put into a binding shape, so far as Parliament is aware. The Company, so far as appears, has done nothing to bind it to surrender these privileges; and should it refuse to do so without compensation, there would be no means of compelling it. Sir Charles Tupper did not even say that the surrender would be made without compensation. Under ordinary circumstances, it could not be expected that it should be; but the accommodation of this loan was a matter of life or death to the Company. Without this loan, it could not long have staggered under the weight of a floating debt amounting to between seven and eight millions of dollars.

The Company was represented, by the Minister of Railways, as being in a position to say to the Government that it was master of the situation; that years must elapse before it would be in default, in regard to the ratio of construction; that if left to itself it could carry out its contract and complete the road by the year 1891. But, to oblige the Government, it was willing to quicken its pace and do the work of seven years in two. If, to meet the exigencies of state necessity,

it was required to put itself about, in that way, it must ask a loan of \$30,000,000, not for its own interest, but for the benefit of the public. The truth was, at the same time, quite evident that the Company could not do without this loan; that it was the obliged party, and not the people of Canada. It required some ingenuity to make it appear that a needy borrower of \$30,000,000 was conferring a favor on the public by accepting the loan; but the feat has been accomplished.

That the loan will be repaid we have no confidence. That another loan will not be asked and granted, only a very rash man would undertake to guarantee. The time has come for considering whether the form of partnership in which the Government finds the money and the contractors take all the property and all the chances of profit, is one that ought to be encouraged in future. Here is no question of Government interference with private affairs which can be better managed without its intervention. Here *laissez faire* was out of the question. Virtually, the Government had to find the money to build the road; and the only question, as things now stand, is whether the work when built will be worth having. If it will, then an arrangement should have been made by which, when completed, it would belong to the Government that paid for its construction. Governments work at some disadvantage, as compared with private companies. But there are considerations on the other side to be taken into account; and it is surely the worst economy to allow private parties to own colossal works built at the public expense, the construction of which they merely superintended. If these private parties could be held to any agreement they make, it would be different; but if they fail to carry out their contract, as they almost invariably do, they go back to the Government for further aid to help them through. And the additional aid is given as a matter of course. The cost of the work is increased and the public pays, in the end, twice as much as it expected to have to pay for a work which, when completed, will be the property of private individuals.

Up to this point, the Government is pretty safe in this Pacific loan business. The chances are that it will have an opportunity of getting the road in return for what it has paid. But will the opportunity be improved? A security is of no value, unless it can be realized upon. Here it will be possible to get the property, in case of default; but will the courage to realize be found in the Government, should the opportunity happen? This is extremely doubtful.

Whether the loan will be repaid, or whether forfeiture will be enforced in case of default, is a matter of opinion. No certainty on the subject is possible. The probable is the only thing that can be dealt with; and on what is probable, different views may, with equal honesty of intention, be taken.

—The *Financial Chronicle* says the recent advance in stocks on the New York market has not been due to outside buying but to those twin-sisters, rumor and manipulation.

## RAILWAY AMALGAMATION.

The Toronto Board of Trade has sounded a note of warning against a possible future amalgamation between the Grand Trunk Railway and the Canadian Pacific. As a virtual amalgamation was, not long ago, made the subject of negotiation between the two companies, it cannot be said that there is no danger of a union to be feared. The negotiations fell through from the absence of a common basis of agreement. In that negotiation, only the interests of the two railways were thought of; the public was to have been left to take care of itself. Just now, the Toronto Board of Trade puts in a word on behalf of the public. The question is one for the decision of Parliament; and it is desirable that authority to prevent amalgamation, in any form, should be exercised. But the inhibition should take the form of an independent act; it should not be coupled with the loan to the Canadian Pacific. To that loan it is not desirable that there should be attached conditions, on which future claims might be based. Such conditions are sure to be recalled, in future, and made the basis of demands upon the public treasury. What Parliament has a right to exact, cannot properly be made the subject of conditions involving a possible pecuniary equivalent.

It will be pertinent here to refer to the promise that, when the Lake Superior section of the Pacific railway is completed, the monopoly privileges of that company, in Manitoba and the North West will be withdrawn. We apprehend this statement was made with a view of influencing the vote on the proposed loan. The loan is something which the company has no right to claim; the withdrawal of the monopoly privilege is something which the Government has no right to claim. Here is the ground of a mutual concession; but it should be distinctly understood that the surrender of the monopoly, is not, under the circumstances, to form a ground for pecuniary compensation. The accommodation which the loan will afford to the company is, in itself, compensation enough. The obligation of the company to repay the loan in full is not to be impaired by the present promise, or its subsequent fulfilment, of the surrender of the monopoly. If there be any doubt upon this point, the doubt ought to be removed. The penalty for default is, and must remain, foreclosure.

There is another point, in connection with the proposed loan, which not the less requires to be well guarded. It should be distinctly understood that the rapidity of construction which the loan is intended to facilitate, should not furnish any future ground for a claim by the company for compensation, either in the way of remitting part of the loan or surrendering any of the security now to be taken. On this point, the Minister of Railways might have been more guarded. He has put the alleged necessity of haste on public grounds; whereas, the company has, for its own sake, pursued a policy of rapid construction, and is desirous of doing so in future, as the application for this loan proves. The company is very likely, in the absence of any ministerial disclaimer now, to come forward, at some future time, and represent