Our Ottawa Letter

Probe into fuse graft produces results---Finance Minister explains railway situation. Bi-lingual vote showed independence

(By The Guide Special Correspondent)

Sir Roger Casement

Irish agitator and ..., recently captured and now in the Tower of London. He was formerly a brilliant member of the British Diplomatic Service

Ottawa, May 12.—The railway aid votes and bi-lingualism have monopolized most of the time and attention of parliament this week. Other business has been done, however, and formal prorogation of the house is expected towards the close of next week. The inquiry into the Kyte charges has been proceeding slowly. This probe into the letting of fuse contracts in the United States will not be concluded until some time in June, as an adjournment over the week which is broken by Victoria Day holiday has been agreed upon. Apparently the counsel for the opposition and Mr. Kyte have made some headway in the direction of establishing that they had something pretty substantial upon which to base their charges. F. B. Caldwell, of New York, one of the four participants in the agreement to divide $1,000,000 of the profits, appeared and proved to be a very candid witness. He identified a copy of the agreement as produced in the House of Commons by Mr. Kyte as identical with the agreement that had been signed. It will be maintained, of course, that $1,000,000 is only 10 per cent. on the amount involved in connection with this particular contract with the American Ammunition Company and that the profit made was quite legitimate; but people will have to form their own opinions as to that. Lloyd Harris, who with T. A. Russell offered to make the fuses in Canada, was also an interesting witness. He created some little sensation by stating that Col. Carnegie, the shell committee expert, had told him that if he wanted fuse contracts it would be necessary to go to Col. John Wesley Allison. He also said that after Col. Carnegie had said that the contracts had been given to the American companies because of pressure, presumably from higher up. Evidence was also produced to show that Col. Allison had made a commission out of the contracts.

White Explains Railway Status

Sir Thomas White, in presenting the government case for aid to the railways, a proposal which up to the time of writing has met with very little opposition in the house, dealt at length with the financial condition of the G.T.P. and C.N.R. as already outlined in this correspondence. In explanation of the government's reasons for action and future proposals the minister made the following interesting and able, if not very inspiring, statement:

"In giving consideration to the question as to whether at this critical juncture in their affairs we should afford further aid to these two railway enterprises, embracing as they do some 12,000 miles of completed lines, and vitally involved as they are with the public credit of the Dominion and of the provinces, there are to be considered three alternatives, and three alternatives only, at least in my view. One course would be to withhold aid, and to permit the two railway companies in question to go into the hands of the receiver. I need not say to the house how grave a situation that would be to the Grand Trunk Railway Company of Canada, which, in the case of a default, would be liable under its guarantees upon the securities of the Grand Trunk Pacific Railway Company. There are two aspects in which the matter may be considered. The first is the aspect of our public credit. We are in the midst of a war in which we are belligerents. Our expenditures are increasing from day to day, and must increase in large measure as our forces increase. Our expenditure is on a vast scale, and is likely to increase. For the present year our expenditure for war will aggregate at least $250,000,000, possibly $300,000,000; the amount will depend upon the increase in our forces which have now reached the total of some 320,000 men. In this posture of our affairs, confronted as we are with borrowings on account of the war, to the extent of $250,000,000 to $300,000,000—and in estimating what that means to the Dominion of Canada we must bear in mind that before the outbreak of the war the net national debt of Canada was only some $360,000,000—we are increasing annually the national debt of the country to an amount almost equal to the total national debt which had accumulated since Confederation. The question of our credit is therefore vital, because upon that credit will depend the part which we shall be able to play in this war.

What Receivership Means

"There is another aspect of the matter to which I desire to draw the attention of the house. It relates particularly to the case of the Canadian Northern, but in the case of both systems, receivership would undoubtedly mean great public inconvenience and confusion. In the event of a receivership of the Grand Trunk Pacific, the position would be that the Dominion government would have first charge in respect to its guaranteed securities, the Grand Trunk would come next, the last security being the $16,000,000 of bonds guaranteed by the Dominion of Canada issued under the legislation of 1914. In the event of a receivership of the Grand Trunk Pacific, the Dominion government would, of course, have to continue to pay the interest upon the $16,000,000 of guaranteed securities for which it is responsible under its guarantee, and the Grand Trunk Railway Company would have to continue to provide money for the payment of the interest upon the securities of the Grand Trunk Pacific which it has guaranteed. By the issue of receiver's certificates it is possible that the road would be carried on for some time.

"In the case of the Canadian Northern a much more serious situation would arise, because the Canadian Northern system consists of a congerie of railway and subsidiary companies, some thirty or forty in number, and the consequence of a receivership of the Canadian Northern would undoubtedly be liquidation. It is not possible, having regard to the securities which have been issued, to reach any other conclusion than that a receivership of the Canadian Northern Railway would mean that the several sets of bondholders, in the assertion of their legal rights, would be obliged to dismember the system. In such a case we would have the province of British Columbia taking the Canadian Northern Pacific, we should have Alberta taking the Canadian Northern Alberta, we should have Saskatchewan taking the portion of the line in Saskatchewan, and we should have the government of Manitoba, or the perpetual debenture holders, if they should associate together, taking over the Canadian Northern itself with the rolling stock which belongs to it and with the securities of the subsidiary companies which it owns, subject to the charge which has been created in the interest of the perpetual consolidated debenture holders.

Default and Foreclosure

"The second alternative is to permit default and take physical possession of the two railway systems in question; that is to say, foreclose the mortgages which we hold. In that event the Dominion government would take over the mortgaged premises and hold them as it does the Intercolonial Railway. If it continued to hold them and operate them without a receivership or liquidation it would mean that it would have to pay all the interest on all the securities of these companies at present outstanding. It would have to provide the amount of temporary aid which we are now proposing, and in addition it would have to provide for the future financing of these roads.

"With the obligations of the war increasing and likely to increase, the government finds itself unable, for the present at least, to consider favorably taking on such a heavy additional burden and becoming responsible for financing not only the war but two transcontinental railway systems as well. It may be that with our expenditure upon the war this year and next year, if the war should last so long, and with further expenditure connected with the war succeeding the conclusion of the war—because we shall not immediately be able to disband our troops and stop war expenditure—the national debt of Canada, when this war is concluded, will reach $1,000,000,000. That is no reason, however, for slackening our efforts. The interest upon that amount and a sinking fund to meet it are quite within the power of this Dominion; but I should not be fair to myself, nor fair to the house, if I minimized or belittled the burden which the war is casting upon us, and which this house and this country are so ready and willing to assume.

King Gustav V of Sweden

Sweden is reported agitated over the building of temporary fortifications by Russia on the Aaland Islands, commanding approaches to Petrograd. Sweden assumes these are permanent and built with designs against Scandinavian countries.

Loans on Demand

"The third alternative, and the one which we now propose to parliament, is to afford the minimum temporary assistance which will enable these two systems to continue in operation pending an investigation, which we propose to carry out by the best experts available, into the fiscal, economic and financial conditions of the railway situation as it exists in Canada today. It is perfectly clear that it is not possible, nor in the national interest, that we should go on, as has been the case for many years past under this and the preceding government, making loans or giving guarantees at short intervals for the purpose of assisting these two large enterprises. A continuing condition such as this would be intolerable, and the time has arrived when, in our judgment, it has become imperatively necessary that a permanent solution should be found for the existing railway situation.

"The house will observe that the loans which we propose, of $15,000,000 and $8,000,000 respectively, are repayable upon demand, so that, in a sense, we have control of the situation thru those demand loans. We are charging a rate of interest of 6 per cent., the Dominion government being able to borrow at slightly less than that figure. We realize that the security upon which we are making these loans to both of the railway systems in question is rather slender, and therefore we have a vital interest in the administration of the affairs of these two railways. It is our intention, in order that we may be kept fully informed, pending our investigation by experts, which I have announced, as to the condition and administration of these companies, to appoint three directors of the Canadian Northern Railway Company and three directors of the Grand Trunk Pacific Railway Company. We also propose to provide for a continuous audit of the revenue and expenditures of these two railway systems.

"The third alternative, and the one which we propose, maintains the situation as it is at present and gives us time to investigate the whole problem with a view to such action at the next session of parliament as may, it is to be hoped, solve in a permanent fashion Canada's railway difficulties. It seems to us that the latter course is unquestionably the course of wisdom, and I earnestly hope that the proposals of the government looking to this end will meet the approval and endorsation of the house and of the country."

As already stated the loan proposals have not so far met with any serious opposition in the house. Today they called forth a thoughtful speech by W. F. Maclean, of South York. He declared that the psychological moment had arrived for the nationalization of the railways of Canada. He believed that all the railways could be taken over, but, failing that, suggested that the government should immediately se-

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HORSE MEAT ON A PARIS MARKET

Some Paris "ham" markets now sell horse meat as well as other meats. This was practised before the war, so it is not a result of war conditions. A movement to introduce horse meat on American markets has not been so popular