

by newspapers not wholly opposed to the government.

The criticism of the Montreal 'Gazette' is a fair sample:

The loss on operation does not represent the only drainage of the road upon the country. There was paid during the twelve months, out of the national treasury, chargeable to capital, on improving it and fitting it to do its non-paying business a further sum of \$4,755,577. The total cost of the road to the country was thus raised by the end of the fiscal year to \$77,491,512. The accounts of the road should therefore stand as follows—

Loss on operation.. . . .	\$1,725,303
Interest on cost not earned, say	2,250,000
Expended on improvements..	4,755,577

Total cost over receipts.. . \$8,730,880

The Intercolonial Railway is worse than bankrupt. Its management, as shown by the facts in the public accounts, is a crime against the country.

Well, Mr. Speaker, that the actual deficit as between revenue and expenditure was sufficiently large to alarm the country, I candidly admit. But when the newspaper press seek to misrepresent the conditions prevailing on the Intercolonial Railway, I have certainly the right to ask that this matter be fairly considered. This article of the 'Gazette' was copied in many newspapers of the country. It was represented that the actual deficit, without taking into consideration the interest on the capital expenditure, was upwards of \$7,000,000 during the past year. And this is arrived at by including the \$4,755,577 expended under the capital expenditure.

I must say that it is scarcely creditable to a journal having the commercial standing of the Montreal 'Gazette' to apply such criticism to the Intercolonial Railway, when it would be making itself ridiculous by applying the same method of argument to any other railway. Are the capital expenditures of the Canadian Pacific Railway, for example, dealt with in this way? The method on the Intercolonial Railway regarding charges against revenue and capital is precisely the same as that followed on the Canadian Pacific Railway. But as this statement may possibly be questioned in this House, in view of the discussions which have taken place during previous sessions, I have prepared myself with evidence on the subject, which I am sure will not be disputed by any hon. gentleman opposite. I propose to read a letter from Sir Thomas Shaughnessy, the president of the Canadian Pacific Railway, to my late deputy minister, which should fully settle any controversy on the question of charges against capital. This question has been productive of much discussion in this House, namely, as to how far the betterments on the Intercolonial Railway should be charged to capital and to what extent these charges should be made against revenue. I remem-

ber that during last session an hon. gentleman sitting on the other side of the House—a director of the Canadian Pacific Railway—took exception to the procedure followed in connection with the capital expenditure proposed to be made. This letter of Mr. Shaughnessy was written, as appears by the heading, in the offices of the Canadian Pacific Railway at Montreal and is dated September 1st, 1905.

Collingwood Schreiber, Esq., C.M.G.,  
Deputy Minister and Chief Engineer of Railways and Canals, Ottawa.

Dear Sir,—

Your letter of August 26, reached my office during my absence from the city, which accounts for the delay in replying to it. Below I give you our practice with reference to the charges that are made to capital and revenue accounts respectively in connection with the several classes of work about which you make inquiry.

1. When light rails are taken out of the track and replaced by heavy rails the difference in the weight of rail and weight of fastenings is charged to capital. No portion of the cost of labour, or of other expenses involved in making the change, is charged to capital account.

Mr. BARKER. That is precisely what I contended you should do.

Mr. EMMERSON. And that is precisely what I did on the Intercolonial.

2 and 3. When a locomotive is destroyed or put out of service permanently, we replace it with another, charging the cost to revenue, although the new engine may be very much heavier and more costly, and we pursue the same course with reference to cars.

Precisely what the Intercolonial Railway does.

Mr. BARKER. But the hon. gentleman surely does not mean to say—

Mr. EMMERSON. My hon friend (Mr. Barker) need not become impatient. If he will possess his soul in patience for a few moments I will read him a clause on the very point I know he has in mind.

4. When automatic drawbars are put in to replace the old style of drawbar, we charge to capital the original cost less the value of the scrap.

Precisely the course pursued by the Intercolonial.

5. Air brakes, when originally applied in place of the hand brake, are charged to capital account.

Precisely what we do in connection with these expenses on the Intercolonial Railway.

6. When an old station-house is replaced by a new and a larger one, we generally charge the difference in value to capital account, but this is not always done.

7. Our practice with reference to the replacement of old engine houses is the same as in the case of old station buildings.

8. If wooden bridges be replaced by others of the same material, the charge is against