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The Humber Proposition and The Railway Situation.

An Unprejudiced and Fair Review.

PART IV. THE PRESENT CRISIS.

Dear Sir.—At the commencement of these Notes we stated that Newfoundland was presently facing the most important decision in her history and that, lack of knowledge, personal prejudice, and restricted outlook, the natural products of our insular environment, might lead us to throw aside a chance in a hundred years. Parts I, II, and III endeavored to provide the background, as a necessary preliminary to sane judgment. Part IV will deal with the crisis itself.

THE HUMBER CRISIS.

As we understand it, our acceptance of the Humber Proposition will mean—

- (1) The introduction of new blood through the purchase by the Armstrong-Whitworth group of the control in the Humber assets.
- (2) The participation of the Imperial Government with the Newfoundland Government in a guarantee on a fifty-fifty basis, with all that that means. It may be a good thing to have the Imperial Government so

directly interested in the success of this enterprise.

- (3) The ability to secure \$20,000,000 at the very low rate of 5½ p.c. for an industrial enterprise at a time when all Governments are seeking National loans at rates as high and higher, and Industrial Bonds have no place in the money markets, at any rate.

- (4) The introduction of one of the most reputable and powerful groups of British financiers and contractors, in the development of our natural resources.
- (5) The improvement of our assets by the erection of the most modern, and one of the largest Newspaper Mills and Power Stations in the world.

In like manner our rejection of the Humber Proposition will probably mean—

- (1) The postponement of development until world conditions become normal,—perhaps five or ten years,—and until cheap money is offering for speculative industrial enterprise.
- (2) Perhaps many years of costly and disappointing effort, trying to attract capital.

It is evident that the results of ac-

ceptance, so outweigh those of rejection, that we should be prepared to go a long way, in order to give it the necessary push, so to speak, to set the ball rolling. The necessary push, means our willingness to assume a contingent liability of \$10,000,000.00 and an interest charge of \$550,000.00 per annum.

Let us examine into the chances of having to meet this liability. Is it likely that the Armstrong-Whitworth group,—of unimpaired reputation; with millions of pounds worth of property at stake in the British Isles; with an industrial programme ahead, measured in decades rather than years; would lend their good name, and endorse with confidence and energy, a scheme of doubtful commercial value. Is it likely that the financial advisers of the Imperial Government, who are said to be the Bank of England, would recommend assistance from the Imperial Exchequer, to a scheme which had little hope of meeting its obligations. Does it not seem very likely, probably certain, that the project underwent the most exacting scrutiny from all angles, and was finally determined on, as a sound investment, worthy of Imperial support.

If the guarantee were sought by mere promoters, existing for the moment, and here to-day and gone to-morrow, or if it were sought only to subsidize a labour-giving industry of doubtful commercial value, we would be justified in rejecting it. Seeing, however, that the Project must have been pronounced sound by many experts; that the country's assets will be immeasurably improved, and that about \$8,000,000.00 will be spent in labor and trade amongst our people; the guarantee is surely justified.

THE RAILWAY CRISIS.

As already stated, the Railway problem, has evidently become closely associated with the Humber project. In their negotiations both parties appear to have played one against the other, and now Messrs. Reid's willingness to sell their control in the Humber property is said to be conditional on purchase by the Government, of their private railway assets. The consideration is said to be about two million dollars, and includes the Dry Dock, in addition to Rolling Stock, Steamers, St. John's Station, Loco and Repair Shops, General Stores, Stock in Trade, etc., etc.

We may have differences of opinion regarding settlement on these lines, but we can have no difference regarding the imperative necessity of a final settlement of some kind of our Railway problem. Let it be assumed, therefore, that the situation must be faced, whether we like it or not; that further postponement is unthinkable; that a workable contract must replace the existing and unworkable one; and that the sooner this long-standing, bitter and costly controversy, between the Contractor and the Government, is ended, the better for all concerned. Two alternatives, therefore, face the country and no one will question the extreme seriousness of the choice. We must either compromise or fight. Let us examine into the possibilities of each: Messrs. Reid's offer to compromise, and end all controversy, on receipt of

an amount in the neighbourhood of \$2,000,000.00 (in low rate bonds at par we take it) for his Dry Dock, and private Railway property, is unquestionably reasonable, judged from the standpoint of value received for money paid. The same property could not be replaced to-day for several times, perhaps many times that amount.

The other alternative,—fight,—on sentimental grounds, and perhaps judicial, will appeal to many people as the right thing to do. They will argue that the rights of the people must be protected, that the contractor has defaulted, that through default, he forfeits his private Railway property, and is probably liable rather than a claimant for damages, and that any further payment cannot be discussed. The above argument, of course, has weight, provided the Government have a good case and the Contractor a bad one, but the legal position is not the only consideration. There are the external elements of the case. What is going to happen to the country during a protracted period of contention and uncertainty? What interior development will progress whilst this fight lasts? and what effect will it all have on foreign capital seeking investment here?

In my opinion, our choice in this Railway crisis (together with the Humber) has in it the making of a breaking of Newfoundland. It should be raised above politics, above personal prejudices, above anti-Reid mania, and judged on its merits from all angles, and in a spirit of equity and fair play. The subject is such a serious one, and the dangers of prejudiced judgment so apparent, that no amount of effort is wasted in trying to get at the real facts and trying to understand these very important crises. In order to make the position more clear, let us present in detail the pros and cons of the alternatives facing us:—

- (1) Fight means long-drawn-out litigation, perhaps for many years.
- (2) Fight will engage the country, in a doubtful lawsuit, which is as likely to be lost as won.
- (3) Fight in any case will cost the country a considerable sum, with perhaps nothing to show for it.
- (4) Fight means operation for several years, under the same chaotic conditions of ownership and management as exist to-day, because ownership and jurisdiction have not been defined, and efficient operation is impossible with the present entanglement of interests, each hostile to the other.
- (5) Fight will render much-needed maintenance impracticable because of the uncertainty of present and future ownership.
- (6) Fight will effectively check any development, because outside capitalists knowing the situation, will fear being drawn into the dispute.
- (7) Compromise and quick settlement will immediately rid the country of a hideous feud which has cost more dollars, and arrested more development, than all other agencies combined.
- (8) Compromise will immediately clear the field, and bring about, in the only way possible, the opportunity to inaugurate a new and workable transportation programme, on economic lines, and suited to the country.
- (9) Compromise may cost the country about \$1,500,000.00 net, but will save us from a possible loss of many millions more in a few years, and will further save us several years of arrested progress and development, with an older and much more difficult problem to handle later on.

FUTURE OPERATION OF THE RAILWAY.

One of the greatest objections to Compromise and settlement with Messrs. Reid has been the nightmare of Government operation. On this point most people are agreed, and Government operation will find few supporters. In this instance, however, a period of Government operation is, absolutely unavoidable. There must be the transition period between the old and the new. The old tenant cannot get out, the house repaired, and the new tenant let in overnight.

Granted, therefore, that pro-tem Government operation is unavoidable. More than that it seems necessary, because some time must be allowed to disentangle the Government's from the Contractor's property and to evolve a new transportation programme. It goes without saying that during this pro-tem period of operation, Legislative enactment should provide an Executive Board, with almost despotic powers to reduce the transportation system to an economic possibility.

Operation by contract or under a guarantee, or on the bonus system, according to proven precedents, involving the element of private property and responsibility, are the only thinkable methods for the future. The Railway and the Dry Dock, can be made reasonably attractive propositions. Messrs. Reid owning many acres of land along the Railway, will, no doubt, be glad to re-tender for railway operation, and are perhaps in a

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