

Northern Ry. Co., or to the Manitoba Government.

"The magnitude of the proposed transaction between the Government, the Northern Pacific Ry. Co. & the Canadian Northern Ry. Co. & the crushing financial burden that it would probably impose on the Province, from which there can be no escape once the contract has received legislative sanction, prompt me to urge upon you that no definite arrangements in connection with it be made between the Government & the other parties until at least there has been further opportunity to discuss the whole subject with the members of the Legislature."

Premier Roblin's Explanation.

At a dinner given at Neepawa, Man., to the Provincial Treasurer, Hon. J. A. Davidson, Premier Roblin made the first public announcement of the Government's railway policy. He began by remarking that the transportation problem was one of the questions Hon. H. J. Macdonald, as leader of the party, said he would undertake to solve, but the way in which the solution would come he was not in a position to disclose. "It has fallen on me," said Mr. Roblin, "as leader of the Government, to finish the task he was able to begin. I think you will agree with me that so far as the question of transportation is concerned it has been solved. I will give my reasons for giving you the conditions of the contract. The principle of Government ownership was a plank in the platform of the party, but the conditions were not such as to make the application of that principle an easy one. We had to deal with things as we found them. We have, however, done our best. We have, I believe, filled up the measure of our responsibility, even to the extension of Government ownership or Government control. Looking over the ground, we saw that four or five hundred miles from the point where we were to have competition—that is, Lake Superior—and from Brandon, from a centre, there were two railways already owned by private corporations, one in active operation, the C.P.R., & another, the Canadian Northern, destined to reach the northwest in a short time. We had no powers vested in the Legislature that would compel these railway corporations to make any concessions.

As a Province we concluded that the Northern Pacific was a very important factor, & therefore decided that we should secure, if possible, that system. To that end we began negotiations. We waited on President Mellen & discussed the situation with him. We told him frankly that his road was popular, & if his company were disposed to make concessions which the people believed ought to be made we were prepared to deal with him. Mr. Mellen declared positively & without equivocation that under no consideration would the N. P. either build one mile in the Province or reduce the transportation charges a millionth part of one per cent. We were somewhat astonished to find the N.P. taking such a position. We then said:—"If we cannot induce the N.P. to reduce its rates & extend its system, then we ought to secure that road as a Government road on any terms reasonable and fair. We made them an offer in a formal way, & that offer was carried to the board in New York by President Mellen, & submitted to the directors of that great corporation, & very promptly declined. The result was that we could not & did not get any intimation from them as to what they would do. We were somewhat embarrassed at the situation. We thought it possible they would make an alternative offer, but they did not approach us again. Finally, in an interview, they intimated on what conditions & terms they would dispose of their roads.

As a result of the negotiations I have the contract entered into by the Northern Pacific

on the one hand & the Province of Manitoba on the other in my hand to-night. That contract was entered into on Jan. 15 last, & the conditions are these:—We lease from the N.P. Co. its entire system in Manitoba, including all terminals in Winnipeg, all rolling stock & all appurtenances of every kind, including telegraphs, etc. We have agreed to lease these under contract for 999 years. The terms are these:—\$210,000 for the first 10 years, \$225,000 for the next 10 years, \$275,000 for the next 10 years, & for the balance \$300,000, with an option that can be purchased at any time for \$7,000,000. This amount for 354 miles of railway is said by some to be in excess of what the road might be built for at the present time. I believe it is possible to build that road for less money to-day, but the question is, could we build a road that would secure a trade so developed with another line? Seven million dollars does not represent the amount of money that the road has cost.

I have the exact figures here, taken from the N.P. books, showing the total for 354.54 miles, \$7,514,300. To be added to that are improvements, \$194,340; real estate in Winnipeg, \$40,832; Souris River branch, \$347,096; Portage & Northwestern branch, \$346,720; Waskada, \$2,222; total, \$8,445,510. That was the cost of that system to the N.P. Co., but it is admitted that all the money the railway cost did not go into construction. We had to deal with men who are independent, who are not British, who hardly believe in fair play, & we had to make such a bargain as they were willing to make from their standpoint. The value of the road is not open to dispute. We have been offered a handsome margin upon that price by a corporation, with a guarantee that the amount would be paid the moment the papers were signed; therefore, we feel very strong in the position we take, that this was a good bargain.

I want to go a little further with the N.P.R. before I leave it, because there are certain statements that are official that are to be found in the public records of the country that would lead the ordinary or superficial observer to believe that the N.P.R. in this province was not a paying concern. I therefore propose to submit some detail regarding that to disprove in anticipation any criticism that may be made along that line, because while the great majority of the people of this country, I have no doubt will agree that any transaction that a private or public body make that will permit of considerable profit being made on the turnover is a good one, yet I fancy from what I have heard in the last 24 hours that there are those who will say that the leasing of the N.P.R. & the option of purchase such as I have indicated is not a safe & good transaction. Now to meet that, I want to submit certain figures that have been compiled under the seal of the N.P.R. to show just what that railway really is worth so far as its earning power is concerned. The statements that have been compiled & filed in the Department of Railways at Ottawa show, taking the year that ended June 30, 1900, a loss of \$77,347.21, that is, shows a loss, not after the fixed charges have been paid, not after interest paid on \$8,000,000, but the statement filed in the Department at Ottawa shows it did not meet its operating expenses within \$77,000 as I have stated. Now that is very misleading, & for this reason: The N.P.R. Co. treats its various branches as part of the whole system, & the earnings of any branch or portion of the line, such as the N.P. & Manitoba, is treated on a mileage basis, that is to say, if 200 miles between two given points, say Brandon & Duluth, & 20 miles or 40 miles of that is in Manitoba under a separate charter, they only get out of the earnings from that point to Duluth the proportion that 20 is to the whole distance. That, of course, is not the fair,

nor honest nor customary way in which railways calculate their earnings of their branches. We will take it, therefore, on the principle on which they calculate the earnings of branch lines on other roads. Why the N.P.R. calculate in that way, I am not in a position to say. President Mellen was not willing to explain; it was their method & that was all so far as he was concerned. We will just take the general figures; the total earnings according to the sworn statement for the year I have mentioned, in Manitoba, was \$394,032.21, operating expenses & taxes in Manitoba \$471,379.42, making the deficit that I have just mentioned.

[NOTE BY EDITOR.—The above figures are those given by Mr. Roblin, as reported in the Provincial Government's organ at Winnipeg, but they do not agree with the statement in the report of the Department of Railways for the year ended June 30, 1900, which are: Gross earnings \$391,947.40, operating expenses \$577,525.61, loss \$185,578.21.]

"Now, statistics, experience & statements made by all roads go to show that about 50%—some say 55, some 45—of the gross earnings are required to meet maintenance & operating expenses. Now take 50% from the figures of the year in which they were compiled. The percentage of gross earnings required for operating expenses, as shown by their own statement, was 52%. Now take 48%, which is only fair & reasonable on \$6,900,000 & what have you? You have \$467,200. Subtract that from the total of \$973,500 and you have \$506,300 as the net profit, net earning power of the N.P.R. in this Province. Therefore, no wonder that railway people, knowing the earning power of the road, knowing that the statement filed in the Department at Ottawa was misleading & did not correctly represent the facts, no wonder I say, that they are willing to pay us a handsome profit on our transaction. I say the earning power therefore is such as justifies & warrants the statement that it can pay interest on every dollar it costs, even on \$8,500,000 & more too. Therefore I claim that with the statistical position & the facts in connection this road justifies the statement I have made that it is a good bargain from a business standpoint.

We realized that we had a lever with which to move other corporations, or, if we could not succeed in moving them, which would justify us in building another line to Lake Superior. When the other corporations found that we had secured this road in defiance of them, after they had done their best to prevent our getting control, they were willing to negotiate with us. We then undertook in the name of the people, to secure what I believe is the solution of the transportation question. We were offered by one corporation a very substantial profit on the bargain, with material consideration as to rates, but we wanted absolute control of rates on all classes & kinds of merchandise. If the contract before us is ratified, Manitoba will be in the most enviable position of any Province in the Dominion of Canada, or any portion of the North American continent, because the Government of Manitoba can make rates on all classes of merchandise to Lake Superior & from Lake Superior back, even to the extent of carrying it free if necessary.

Mr. Roblin then read the clauses of the contract with regard to rates & continued:—

That places the matter of rates on wheat & other articles of merchandise in the hands of the people of Manitoba, through your representatives. No other province in Canada, no state in the Union, has any such power or authority. The question arises as to what have we given for the right to control rates on everything exported or imported. We had to guarantee the bonds on the Ontario & Rainy River division of the Canadian Northern Ry., 290 miles, at \$20,000 a mile