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LEVER BROTHERS LIMITED, PORT SUNLIGHT, ENGLAND.

Advantages and Disadvantages of the Humber Project.

(Continued from 6th page.)

and, have always used Government money. I must now elaborate on the fact that after 1923 we may have to find a million dollars a year if the enterprise fails. Of course, this is the worst that can happen, and will only eventuate if the enterprise suffers a total collapse, but it is not improbable that in the earlier years, during the formative stages of the undertaking, the Colony may be called upon to contribute part, if not all, its share of the interest payments, because experience here, as elsewhere, has shown that new enterprises are slow to make full profits in the earlier years of their existence. It must be noted that the Colony will have, toward meeting any obligation that will arise, the proportion that will return to the revenue of the increased earnings to all those employed in the various departments of the industry, some three or four thousand in all at some seasons, and the duties on all the various articles imported for the needs of the mill, which by the standard of Grand Falls, should be about a quarter million dollars a year, and I would estimate the return from the increased earnings of the workmen as considerably more than that—say, half a million more, so that the interest obligation should be fully covered by the direct returns from the industry, and part of the sinking-fund obligation as well. Some people in discussing this feature credit the whole of the earnings of the workmen to the plant, and one-third of this of the loans to the Custom House in duties, as if everybody employed there was not doing anything previously, whereas the Colony only gains a proportion of the increased earnings of these people over what they would earn at the plant. It is also argued that the royalties on the paper produced and the water-powers used would be available, but as these items only come in to us after the interest and sinking-fund payments are met, they are not come-at-able when we need them most. And, when the plant is not earning enough to meet its bonded obligations, I would estimate that while the plant continues to operate at full capacity our treasury should receive indirect benefits of about \$750,000 a year towards paying \$1,000,000 a year which will be the maximum liability. If the plant fails to earn anything above its working costs, and as this is only a very remote contingency, I think the Government, under all the circumstances, could not afford to reject the proposition.

THE DISADVANTAGES.

I turn now to the disadvantages or drawbacks of the project, which I propose to discuss in like detail.

1. The Guarantee.

The first drawback, of course, is the guarantee. Nobody can view this feature of the matter without concern. It presents an element of danger that cannot be winked out of sight by reasonable people. However, the promoters of this measure argued that it was necessary in order that they might be able to raise the necessary loans at reasonable rates of interest, and in view of the type of business corporation in the Old Country availing of this guarantee provision of the Trade Facilities Board, as shown by the Prime Minister in his speech on this measure in the other House, it seems to me that we had either to acquiesce in the guarantee or lose the industry; and I do not think that the Government, in view of the economic situation in this Colony at present, would have been justified in risking the loss of a labor-giving enterprise of this magnitude by refusing to assume this guarantee, especially as our obligation was cut in half and we had to bear only one half of it, the British Government bearing the other. But frankly, I do not take very seriously these "incurable optimists" who assure us that the Colony will never be called upon to meet any portion of this guarantee. I hope they are right, but I have seen too many schemes presented to this Legislature or to the business community accordingly perfect on paper but which proved anything but money-makers when set a-going. I do not mean by this to reflect on the soundness of this enterprise, because, as I have already remarked, a paper making project is one of the soundest forms of industry known to-day, especially with abundant water resources and water-powers, cheap labor and easy access to the world's markets; but every honorable member of this House knows that in the early years of all new industries, when they are finding their feet, they rarely realize financial expectations, and it should occasion no surprise if this enterprise has the same experience. Nor need we be unduly dismayed over the prospect of meeting the annual interest payment at any rate, out of the increased advantages the Colony will derive from the starting of this industry, among us, provided that all goes well and that no serious dislocation of the fundamental features of the general scheme arises in the meantime. As I see it, the position is that after the construction period of two years, during which time provision is made for the payment of the annual interest out of the funds obtained by the bond issues, the Colony becomes liable, in the event of the Company failing to earn enough to pay half the interest, or, say, two hundred thousand dollars a year, and three years later must assume liability for, roundly, a similar sum in respect of a sinking fund to pay off the

"B" debentures in 15 years afterwards so that we must visualize the fact that after 1923 we may have to find a million dollars a year if the enterprise fails. Of course, this is the worst that can happen, and will only eventuate if the enterprise suffers a total collapse, but it is not improbable that in the earlier years, during the formative stages of the undertaking, the Colony may be called upon to contribute part, if not all, its share of the interest payments, because experience here, as elsewhere, has shown that new enterprises are slow to make full profits in the earlier years of their existence. It must be noted that the Colony will have, toward meeting any obligation that will arise, the proportion that will return to the revenue of the increased earnings to all those employed in the various departments of the industry, some three or four thousand in all at some seasons, and the duties on all the various articles imported for the needs of the mill, which by the standard of Grand Falls, should be about a quarter million dollars a year, and I would estimate the return from the increased earnings of the workmen as considerably more than that—say, half a million more, so that the interest obligation should be fully covered by the direct returns from the industry, and part of the sinking-fund obligation as well. Some people in discussing this feature credit the whole of the earnings of the workmen to the plant, and one-third of this of the loans to the Custom House in duties, as if everybody employed there was not doing anything previously, whereas the Colony only gains a proportion of the increased earnings of these people over what they would earn at the plant. It is also argued that the royalties on the paper produced and the water-powers used would be available, but as these items only come in to us after the interest and sinking-fund payments are met, they are not come-at-able when we need them most. And, when the plant is not earning enough to meet its bonded obligations, I would estimate that while the plant continues to operate at full capacity our treasury should receive indirect benefits of about \$750,000 a year towards paying \$1,000,000 a year which will be the maximum liability. If the plant fails to earn anything above its working costs, and as this is only a very remote contingency, I think the Government, under all the circumstances, could not afford to reject the proposition.

prise meets complete shipwreck, which is a very remote prospect; and even in that event it is altogether improbable that the plant would be idle; somebody would certainly be found to carry it out and the earnings and duties would even then go far toward meeting this obligation.

2. Unforeseen Contingencies.

The third drawback, in my view, is that sufficient allowance is not made for unforeseen contingencies. What I mean by this I can best illustrate, perhaps, by pointing out some of the set-backs suffered by the Harmsworth since they started at Grand Falls 18 years ago. After the mills were up and the plant working the first set-back came when the lumbering village of Millertown, built on a level area at the foot of Red Indian Lake, was flooded one Spring by an exceptional freshet, so that the whole town had to be bodily removed to a higher level on the hillside near, to prevent such a mishap in future. This cost probably not less than \$25,000. The next set-back came when the Company thought it was possible, by using a sealing steamer from St. John's, to keep Botwood Harbor open two or three weeks longer each winter—the latter half of December. The experiment failed and the steamer Tritonia, loaded at the pier, was frozen in with a cargo of paper for some months. What that cost I cannot say, but it must have been a large sum. Then the Company put the Tritonia on dock and built a new ice-breaking bow in her at a cost of \$95,000, hoping that she could then keep the Harbor open, but this scheme also failed and she had to be dynamited out of the ice and a channel cut for her by means of the dynamite out of Twillington Island, another costly item. The next trouble was that the Company, which had worked with steel pen stocks, (that is, the pipes through which the water is carried from the dam to the power house) exposed to the open air found that in the severe frost in mid-winter the water froze inside and carried pieces of ice down the pipes into the turbines, with risk of damage to the machinery, and the Company had to cover with wood the whole of these pen stocks, several thousand feet long, and put a heating system in there to preserve a temperature sufficient in mid-winter to prevent this freezing of the water inside. This presented another considerable outlay. Then the Company, finding itself unable to use Botwood after the middle of December, had to go to Heart's Content and build a shipping pier and storage warehouses there for the purpose of taking a cargo of two or three million every spring, and this, I believe, represented an outlay of another \$50,000. Only two years ago, in the spring of 1921, a steamer lay in the Harbor for 43 days being unable to reach Botwood because of ice, and incurring an expense of \$1,000 a day. These are examples of the sort of thing that must be taken into account in the starting of industries in every country, and where perfectly flawless schemes on paper develop serious defects in practice; and this new company must be prepared, in my judgment, to face set-backs of this kind for some years after starting.



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4. The fourth drawback I see in this project is that it will not be sufficiently helpful to the railway system in providing traffic to reduce the heavy losses we have to face every year in operating our railways. Some people talk as if this Humber project would furnish traffic enough to make the railway a paying concern. As a matter of fact it will only add to the earnings of the railway by about \$70,000 a year, or less than one-tenth of the deficit on its reduced operation the past twelve months. I have this figure on the authority of R. C. Morgan, lately Manager of the Railway, who asked him what the Humber project would mean to the railway in additional earnings and he replied that if the mills had been located at Deer Lake the gain would be about \$200,000 a year, but by its transfer to Corner Brook this would be reduced to about \$70,000 a year. Nor will the increased paper-making activities of the Harmsworths help the railway either. They intend to build a pipe-line, nine miles long, to pump the ground-wood pulp in liquid form from where it is made at Bishop's Falls to the paper mill at Grand Falls, and the sulphate pulp made at Glovertown mill will be shipped to England direct. There,

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8 BIG ACTS 8

then, is the situation fairly started, the advantages on the one hand and the disadvantages on the other. Balancing one against the other, it seems to me, that the Government, with the certainty of getting a big labor-giving industry started, which, when it is established, cannot be taken away and would continue to be operated by somebody; even if the present promoters failed, and on the other side facing only the contingency that the guarantee might have to be met, could not do otherwise than go ahead with the scheme, especially when the British Government was prepared to bear half the risk. I have given some study to the experiences of the Harmsworths and have in my hand their annual reports and balance sheets for some years past. From an examination of these it will appear that the Company, from the outset, was able to meet its interest and bond obligations up to the time the war began, but that during the war it, like every other industry, had serious troubles to bear and as soon as the war was over it began to resume its profit-making possibilities, so that for the twelve months ended on August 31st, it had a profit of \$240,000, or over a million dollars, enabling it to not alone meet all its obligations for that year, but also to pay interest on its preferred stock for the two previous years as well, which had not been paid in these years, because the Company had not earned enough. If, then, we assume that this new Company has only to face the conditions that other companies have to face under normal operations, it should in most years be able to pay the interest on these two bond issues and the amount to be paid for the sinking funds, and if it can do that the Colony will be relieved of any obligations whatever. The promoters naturally represent that it will do much better than that, and we will all wish them success in that effort, but if they can even do that it will be sufficient for us. That the prospect for this is a good one I conclude from the fact that the Harmsworths are enlarging their plant to the very moment and that, as the Hon. Minister told us yesterday, the St. Lawrence Company, located at Bonne Bay, is also planning to start a paper mill and to purchase 20,000 horse power of electricity from this Humber concern. This is a further certainty, and one which I think we should all welcome. Personally, I should like to see the day when industries of this kind, mining industries and others, will be established here which will take our people away from the fisheries entirely, and render unnecessary to even catch a codfish of a seal.

MILLIONS WASTED.

We gather on the t a r-wet acres, the waiting place, remote and drear; for all our dollars go to fakers — a hundred millions go each year; we gather, tinsmiths, bards and bakers, and there we weep from ear to ear. By every mail we're getting papers describing oil wells far away; they tell how plumbers, clerks and drapers got beastly rich in half a day; and shall we join their merry capers, and pile up riches on a dray? Why labor at our lathes and forges, why dig and delve, why spin or dye, when in the Oklahoma gorges the oil is squirting three miles high, and all the lucky Jakes and Georges are banking coin

and eating pie? Why heed the village banker's warning, as he denounces sins and snares, set up by fakers, morals scolding, to catch the suckers unawares? His well-meant teachings die a-borning, we'll get rich quick, we'll buy some shares. Six hundred million bones are wasted by fake stocks victims every year, though in their haste there may be pased some motto they have purchased dear, and though catastrophe they've tasted, they still come on, and it seems queer. Is there no way of staying, halting, the long parade of grass-green hicks, who go cavorting, dancing, vaulting, to pay their coin for gilded bricks, convincing them they should be salting that coin where fakers play no tricks

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Britain's New Air Policy.

A one-power air standard and an offer to France to reduce aerial armaments on the lines of the Washington Naval Treaty describe the new air policy which was announced by the Government recently. The announcement is not welcome either to economists or international pacemakers, but the extraordinary disparity between the French and British aerial fleets is unfortunately a factor which Ministers have to take into account. I believe no formal conversations have passed with France on the subject of her air strength, but she has received hints that Britain could no longer be content to remain in a position which left London defenceless if at any moment France fell out with her ally. With a flock of gray silk crepe and worn slippers of blue glace kid with gray hosiery.

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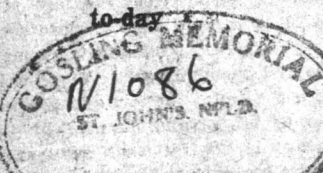
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