

desired that my vote should be transferred to Jones, but that I did not wish to vote for Brown under any consideration. Having thus indicated my preferences on the ballot paper it would only remain for the returning officer to give expression to these preferences in counting the ballots. Suppose that Jones fell on the first count. He would therefore be out of the race and all those ballots which had him marked as their choice would be redistributed according to their second choices. It would probably happen then that Smith instead of Brown would be elected; and in any event the winner would have a clear majority and not a mere plurality, as must often be the case under our present system. Thus by a very simple device representation is given to the majority instead of to the minority, and due consideration is given to every man's vote.

An even better thing would be to group constituencies and elect several members therein *at large*, with the same system of transferable votes. By this means we can give representation to minorities as well as to majorities and our representative body will be really representative, i. e., it will represent all shades of opinion and not merely the majority alone. How this can be worked out in detail must be left to another time.

3. In the third place one cannot fail to be impressed with the desirability of the Referendum System. In every general election a number of issues are blended, and one cannot tell in what proportions the various issues affect the vote. An accurate interpretation of the result is, therefore, so far as any particular question is concerned, quite impossible. Blended issues constitute a serious danger. Each great public question ought to be decided on its own merits; and this cannot be done unless it is singled out and considered apart from other questions. Under our present system real democracy is impossible. That is to say the people's effort to make their will felt in regard to one issue results in a defeat of their will in regard to other issues. No one in particular is to blame for this state of affairs: the system we use is out of date, and not in accord with modern democracy. And the situation is rendered worse

by reason of the blind party vote, which, being given to a name rather than to a cause, is practically unintelligible so far as policy goes.

4. In the fourth place the question has arisen in many constituencies as to how far the voter is justified in voting for a party candidate irrespective of his personal character and qualifications. If a voter judges that the supremely important question is the putting of one set of men out of office and another set in, then he is justified in largely ignoring the personal character of a candidate. He may even justify himself in voting "for a yellow dog" who will be faithful to the party. Moreover, the yellower and more irrationally devoted the dog is, the more one is justified in voting for him. In this case, however, a rubber stamp would be just as effective and a deal cheaper, for the "dog" must be fed and housed and may, in addition, claim a few bones on the side.

5. Fifthly and lastly, I question whether we are so far away from the party system as current newspaper talk would make us think. There is now the Unionist party and the Opposition, in somewhat the same proportions as formerly existed between the Conservatives and the Liberals. Is there not practically a realignment? Whereas there was formerly so to speak a division from North to South, is there not now a division from East to West? So far as patronage is concerned there is at all events exactly the same temptation to give the plums to Unionist supporters as there was formerly to give them to Conservative supporters. Patronage abominations will be abolished by an imperative public demand, and not by any political realignment. This much must be said, however. The recent breaking away from party lines creates an opportunity for introducing better things. People are generally more disposed to be open minded. There is therefore all the more need to strike while the iron is hot so that the temptation to re-establish patronage under a different form may be successfully withstood. "The old order changeth", let us see to it that another just as bad does not take its place.

Brant Co., Ont.

W. C. Good.

The Proposed Increase of 15 per cent. on All Railway Transportation Rates.

The following is from a letter addressed to the people of Canada, and recently received from George Pepper, a man who has investigated Canada's railway problems as perhaps no other has:

It is remarkable to note how little this most important question of railway transportation rates, revenues and earnings, affecting the producers and consumers of the Dominion of Canada to the extent of forty million dollars per annum, seems to be understood, or properly placed before the public by the press; by those interests at present demanding an increase and by the Boards of Trade, and Manufacturers' Associations, who, by their advice and consent, are supporting the adoption of the proposed increase.

At Toronto D. B. Hanna, of the Canadian Northern, presented the case on behalf of the road, and intimated to the Board that their increase in operating expenses for this year would be some five million dollars, by reason of the war. He stopped there, and, strange to say, did not proceed farther and say: "For the same reason our earnings will increase eight to ten million dollars. The income increase to date is seven million dollars." Mr. Hanna also made strong use of the statement that the return, per ton haulage, had greatly decreased and the wages and expenses of transportation were rapidly increasing. Here he again stopped, just short of this fact—the revenue per ton haulage, as he states, has decreased and cost of per ton haulage has increased some, but the ton haulage per train has increased 58 per cent. from 1907 to 1916, and, by reason of the railroads working more to capacity, their revenue per freight train mile has increased, from 1875 to 1916, 234 times and the percentage to earnings per train mile ton haulage has decreased 24½ per cent. In this the railway companies are the gainers.

Mr. Dalrymple of the Grand Trunk and Grand Trunk Pacific presented his claim much in the same way. Credit is due the Canadian Pacific, which was well represented and doing over 50 per cent. of the Dominion's transportation business. They said nothing in favor of the advance, knowing that during the first six months of this year their operating expenses were increasing and their revenue increasing more rapidly. They realize that if the war is responsible for the increased operating expenses it is only fair to credit it with the increase in their earnings.

The true facts show that the war has increased their operating expenses, so it has increased their earnings by nearly double the increase in their operating expenses, and, therefore, they are the gainers. It is remarkable how strongly the representatives of the Boards of Trade and the Manufacturers are supporting the proposed increase. These able, shrewd business men are, apparently, so much engaged with their own business operations (which are at present most profitable) that they have not the time to delve into the facts re railway transportation and history to see what has and is taking place in connection with the earnings of our railways; what returns are being made from their investments.

This increase means to take some forty million dollars annually out of producers and consumers so that these two corporations, the Canadian Northern Railway and the Grand Trunk Pacific, may be aided to the

extent of from eight to ten million dollars and placed on a paying basis, the other thirty odd million dollars going to the Canadian Pacific Railway and other corporations that are now, from our rates, very prosperous and making money. One thing certain, it is not good business to increase railway rates, which will be an annual tax and a very great factor in increasing our already high cost of living. It will be much better to aid the Canadian Northern Railway and the Grand Trunk Pacific by further loans which we can reasonably expect them to return, taking for a guide the history of the development of the Canadian Pacific Railway and their success in earning dividends and creating surpluses.

Now, what are the facts and history of our transportation problem by which we can reasonably be guided re the future? The Dominion Government, the Provincial Legislatures, County Councils, Municipalities, in all, the people of Canada have donated close to a billion dollars to aid in building our railways, and many "millions more in building up our harbors;" all valuable assistance to their earning powers. It was not the intention of the Government, the Legislatures, the County Councils, Municipalities, or any of the donors of these grants that they should hereafter be called upon to pay dividends or interest on any of these grants, or that the railways should hereafter receive any returns from the earnings of these donations. It was the intention of the donors that those grants, etc., should be given free to aid the builders of railways to accomplish their good work, and enable them to make their stockholders' investments safe and remunerative.

The Canadian Pacific Railway promoters of that day apparently agreed with this understanding, and it is so shown by their agreement to reimburse the public by concessions just so soon as the net earnings of the Canadian Pacific Railway would pay 10 per cent. to their stockholders. This understanding worked satisfactorily until the prosperity of our country and railway exceeded all expectations, whereby the railways' returns were showing evidence of growing into an asset necessary to be preserved. Then a new body of railway executives began to take such steps necessary to turn all surpluses to the interests of their stockholders. It is not justice to the people of Canada that the directors or stockholders of this corporation should be permitted to conserve and create surpluses from these donations of money and land with the excessive revenue from our present rates over what is required to pay 10 per cent. on their working capital used in railway transportation. This they have been doing, and putting the earnings in a special income account. The Government of that day evidently realized the growth of this situation and appointed the Railway Board, with great power, to protect the interests of the people. This I believe to be the true "horse sense" view re our railway situation, and from this point I propose to present objections to the proposed advance in rates.

Take the C. P. R., they have in "paid-up" capital two hundred and sixty million dollars of which, by their annual statement, it is clearly shown only one hundred and sixty million dollars has been or is being used in connection with railway transportation earnings, or in

subsidiary companies whose returns are paid into the gross earnings of this railway corporation. With this working capital we find that the C. P. R. corporation earned one hundred and twenty-nine million dollars gross last year, at a working cost of eighty million dollars, leaving them a net profit of forty-nine million dollars. Out of these net earnings they paid fixed charges, \$10,306,196, and interest on preferred bonds, \$3,267,276, leaving a balance of \$35,560,448 for dividends—22 per cent. on the one hundred and sixty million dollars actually invested by the stockholders of that corporation and being used by the Company in railway earnings.

To substantiate this contention, within the past seven years they got permission to increase their stock issue by some hundred million dollars, to improve their plant and build new lines. To show how this money has been used see page 10, Annual Statement:

Advance on lines and steamships under construction, \$42,852,519; advance on investments, \$9,639,472; temporary investment in war loans, \$5,272,690; cash on hand, \$41,581,680; total, \$99,356,361.

Take this from their capital of \$260,000,000 and you have \$160,000,000, the actual capital working in railway earnings.

The revenue from all other investments, with whatever revenue is obtained on this \$99,356,361, is credited to their special income account, in which only stockholders appear to have a right to participate. Until this \$100,000,000 is properly used to make railway earnings, dividends should not be declared on it to the disadvantage of the public not knowing the revenue now being earned from our present railway rates on legitimate investments.

By reference to the Government statistics, you will see that of the \$261,000,000, the total earnings of all roads, \$200,000,000 was earned by the C. P. R. and the lines principally controlled by them. Our rates have enabled the C. P. R. to pay 10 per cent. dividends and create a juicy surplus, which they show as a liability to their stockholders:

Receipts from sale of land, \$68,255,803; balance due from sale of land, \$51,050,523; lands, etc., on hand, \$127,129,135; profits on sale of stock, \$45,000,000; surplus from earnings, \$100,604,596; total \$392,040,057.

Surplus in other assets \$121,215,174.00, a lovely melon, soon to be divided or become a heavy tax on our shipping interests. So far this year's revenue on all lines has increased about 15 per cent., with their operating expenses increasing much less, nothing to warrant any increase in rates. The marvelous success of this company, and the fact that both the C. N. R. and G. T. P., have to-day better prospects and have a greater revenue than the C. P. R. had at the same time in its history, this, to me intimates that the question of aid in financing these corporations, the C. N. R. and G. T. P. now being completed, to develop our national resources and provide shipping facilities for future producers, is possibly the business of the Government. The companies that are earning this \$200,000,000.00 and making money, own 22,223 miles, principally working in our most thickly populated districts. The companies not so well situated, the Government, C. N. R. and G. T. P., have in mileage 15,211, of which 9,648 is owned by the C. N. R., and it shows every indication of being self-supporting within the next few years.

For comparison as to the earning powers of our railroads we should separate the mileage of the corporations that are really seeking relief, representing only the total earnings of \$58,562,852.00. To aid these companies to add \$8,784,427.00 to their earnings you are asked to make rates that will saddle our producers and consumers with the annual tax of 15 per cent. on \$261,000,000, in all \$39,283,298.00, and add \$30,498,761.00 to the earnings of their other companies now making not less than 10 to 20 per cent. on their real capital entitled to consideration. Can this be justified?

History repeats itself. In 1897 the total earnings of all roads was \$52,353,276.00, operating \$35,168,665.00, net earnings \$17,184,611—50 per cent. on operating expenses. In 1916 the Canadian Northern's earnings, \$35,476,275; operating and maintenance expenses were \$25,244,186; net earnings, \$10,232,088—net 40 per cent. on operating expenses. This will enable a properly conducted corporation to be successful when their entire mileage is completed and in revenue-earning operation.

The operating and maintenance costs of the C. P. R., \$80,255,965; net profit on this earning was, \$49,125,819; or 61 per cent., and this made 22 per cent. on capital.

The President of the Grand Trunk said, "Relieve us of our obligation re the G. T. P. and we are satisfied with our present position."

Their operating and maintenance expenses were \$28,782,012; net earnings over these expenses, \$10,373,027, or 37 per cent. These facts would warrant us in taking this position—any corporation earning net over 30 per cent. on their operating expenses, which includes maintenance of plant and equipment, should, from the facts set out above, pay 10 to 12 per cent. on any capital necessary to operate a successful corporation. Believing these conclusions are justifiable, by the statistics, we find the earnings of all Canadian roads were over 45 per cent. net, over operation and maintenance expense.

This would again indicate that the C. N. R. is to-day in a much better position than the C. P. R. was at the same year of its history. The money they require to-day is for building and equipping lines not now in actual use, and it should be provided for by capital not by earnings through freight and other rates.

Now, having to your satisfaction, we hope, fully proven that our railway earnings from our present rates are more than sufficient to pay handsome returns on all judiciously made investments, why tax the public