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TORONTO, FRIDAY, MAY 20, 1898.

THE SITUATION.

Mr. James Meldrum, an eminent English engineer, before a committee of the Senate at Ottawa, stated that the cost of the projected Ottawa and Georgian Bay Canal would be from $14,000,000 to $25,000,000, according to the depth of water required. Unless the depth be settled, all sorts of suppositions come in. The Government of Canada might, we are told, be required to pay $550,000 a year as a guarantee to the shareholders of a work, which would be built in opposition to the present canals, and which could succeed only by rendering unproductive, both directly and indirectly, public works on which $50,000,000 of public money has been expended. Mr. Meldrum is enthusiastic enough to assume that, if a guarantee were given, the guarantor would never be called upon to pay. No one at all familiar with the history of the Welland and the Rideau Canals will be likely to accept this sanguine estimate. Rival canals are now free, and those canals, with everything theoretically against them, manage to confound all calculations. Build the proposed canal to-day, and to-morrow you will see an agitation, set on foot by just such persons as the present promoters, for a free canal, through Government purchase. Only a small percentage of the products of the Western States is exported; and experience shows that while our internal carriage may be lower than that of the United States, the whole cost of freight from the place of production to Europe may be higher. This has happened for many years in succession, at some periods of our commercial history.

Mr. Meldrum, with all the authority of his name, contends that railways cannot compete with canals, and cites Holland in proof. If we admit this fact to have had universal application, we must remember that the guarantee for its continuance is but slander, in the presence of heavy steel rails, produced at one-sixteenth their former cost, and steel trucks carrying 60,000 lbs each. The future railways may beat the canal, if the canal be costly. In counting the cost of the Georgian Bay Canal, we must reckon the waste of the $50,000,000 of public works which, to succeed, it must make valueless. And does any one believe that a canal which cost $70,000,000 or $80,000,000 directly and indirectly—directly by actual outlay, and indirectly by destroying the St. Lawrence rivals—could pay dividends, in the face of free canals in the State of New York, and the modern railway which the vast traffic of the United States in bulky materials has developed?

Now that the whole facts connected with the railway aid to be granted by British Columbia are before us in the proceedings before the Provincial legislature, it is evident that the Province has made a relatively good bargain, far better than that disclosed in the now rejected contract made with the same men by the Dominion Government. The contractors are to be paid a subsidy of $4,000 a mile, and in return they are to pay to the Government four per cent. on the gross earnings of the land, in addition to $2,000 a mile, which Hon. Mr. Turner calls a tax and the agent of Mackenzie & Mann calls an assessment. A limit is put to the subsidy, at the figure of $1,600,000, so that if the mileage be more or less than the estimated distance the subsidy will exceed or fall short of $4,000, though neither the excess nor the deficiency would be likely to be much. The cost of the subsidy to the Province is estimated at $64,000 a year; the railway tax and the four per cent. on the gross earning are expected to yield $50,000 a year, leaving an actual deficiency to measure the Provincial contribution of $14,000. And the Government estimates that, in three years, the railway, by opening up a new district, will add twice this sum to the revenue, in what way is not stated. There are two possible sources of revenue: mining licenses and the sale of lands. License fees would properly be revenue; money received from the alienation of lands, if called revenue, too, in contradistinction to capital, would be only a temporary resource, unless the revenue were capitalized. We notice that the point of departure on the Pacific is to be selected, the joint action of the Province and the Dominion. Does this look to Dominion aid? The Dominion only can make a port of entry, and therefore its consent is necessary.

Before agreeing to grant aid in the form of a subsidy, in return for a share in the revenue, the Provincial Government of British Columbia, if we may judge from Mr. Turner's speech on the railway question, considered various other forms of proceeding to attain the object desired. Government ownership was discarded as unsuitable to the limited financial capacity of a province; a guarantee of bonds was rejected on account of the uncertainty it involved; a stated subsidy was deemed preferable. And, considering the advantage obtained in return, in the form of a participation in the revenue of the road to the extent of four per cent. of the gross earnings, the conclusion is sound. On the whole, the province is to be congratulated on the bargain it has made. This bargain probably marks a new departure, in which naked gift subsidies will disappear and an element of reciprocity will henceforth be infused into this sort of transaction. The change was bound to come and it does not come one minute too soon.

Whether the income from the four per cent. of the gross receipts of the Yukon railway will net the British Columbia Government the amount they estimate seems reasonably open to doubt. To realize their estimate the mileage receipts of the road would have to exceed those of the Canadian Pacific, is the contention of some critics. When it is borne in mind that the bulk of freight to come out of the Klondyke, whatever may go in, will be diminutive, the reasonable conclusion is that this is an over estimate. The amount receivable from the taxation of the road, based on an assessment of $2,000 per mile, can be