

laid down at Hudson to-day for \$165 each. Mr. McKenzie bases his charge on \$1.50 per canoe per day - less than 1% per day of the value.

Quite apart from the amount of additional capital tied up in these canoes, it will be obvious to you that forty days use of same by men not in the employ of the Company, and therefore not very particular as to what happens to them, must mean considerable depreciation.

From a business point the Company would prefer that you purchase the equipment outright, as the system proposed by you means that we finance the Department to the amount of the equipment, taking all the risk of loss and damage, and have to spread the cost over a period of about three years, which under favourable circumstances is its maximum life; the equipment, as mentioned before, being of no use to the Company, as it would be away on Indian Department work during the time it would be used for our own freighting.

In addition to the facts mentioned above, I would draw your attention to the time and trouble taken by the head office and the District Manager at Fort William in connection with this business, to say nothing of telegrams and sundry other expenses which have been incurred in order that the Company might make the best possible arrangements for the Department.

In addition to this, the Company finance the wages and provisions for the crew for several months, as it is usually some considerable time after the advances are made before payment is received.

Under all the circumstances therefore I am of the opinion that no exception should be taken to Mr. McKenzie's charge.

Regarding the engagement of men at Hudson, and Mr. Awrey's proposition that the men should be brought to Hudson and he would make his own arrangements for engaging them, Mr. McKenzie writes