

Parliament of Canada to provide for the commencement, within six months after the Union, of a railway connecting the River St. Lawrence with the city of Halifax in Nova Scotia, and for the construction thereof without intermission, and the completion thereof with all practicable speed."

I think it must be conceded that the construction of the Intercolonial Railway had for its object the development of the interprovincial trade and the maintenance of an efficient line of communication between the Eastern Provinces and the west. Some objection has been made to the enormous capital required to carry out this enterprise, but the Intercolonial Railway, as I have observed, stands on a different footing from any other public work owned by the Dominion of Canada. In its construction it was diverged a very long way out for military purposes. It is expensive in operation on account of climatic difficulties such as frost and heavy snow-falls, and there is, along a portion of this line, a very small population to give local traffic. I will conclude by quoting from the railway authority I have already quoted with reference to this matter, Mr. Kirkman, of Chicago, the author of several valuable works on railway subjects and an eminent authority in such matters. In a pamphlet on division of railway expenses and earnings, he said :

"It is owing, largely to the imperfect method of keeping the account of railway expenses and the dissemination of false information in consequence thereof, that much of the misunderstanding in regard to the capitalization of these properties has arisen. Upon a minute examination we discover that many charges under the head of operating expenses do not belong there at all, but should be charged to construction as a part of the permanent plant. This is brought about in several ways: sometimes from the conservatism of managers and owners anxious to improve their property without increasing its obligations and more desirous of bettering outstanding obligations than of incurring new ones. This is, of course, laudable, but it should be understood, in many cases the securities of a company as far below par from the inability of the property to earn a profit on the cost already capitalized, or the market price fluctuates wildly under the slightest pressure or excitement, in dictating lack of stability and confidence in the enterprise. To the owners of such properties it seems absurd to make further charges against capital until a stable footing has been established. This is the genius of common sense, the acumen of business men, the dictate of prudence. This is one explanation why construction is frequently charged as a current operating expense. Some portion of these disbursements are embraced in the expense account, however, in consequence of the difficulty in separating the two classes of charges in the accounts. While it is our habit to look upon railways in operation (especially those long in use) as finished, these properties, as a matter of fact, are never completed. They are ever in a state of change, of evolution, of betterment. Sometimes this transformation is so rapid, or of such magnitude, as to attract attention and require explanation, perhaps provision. This is so in reference to additions such as the building of great elevators and warehouses, and extending sidings, or large additions to the equipment. Great outlays of this nature are singled out and embraced in the returns under the head of construction. In some instances they are capitalized. This is supposed to be the measure of a railway company's construction, the extent of its right to add to its capital. As a matter of fact, however, the great additions to railway property do not occur in this way at all, but are made up of myriads of petty improvements so small as to escape attention or not to be thought worthy of notice. The driving of two nails where only one has been charged to construction is an improvement and affords the basis of further capitalization to the extent of the additional outlay. Railways derive continual improvement from the adding of new ballast; from being raised to grade; from the widening of cuts and the opening of ditches; from better alignment and the improvement of bridges and culverts; in the improvement of the quality and weight of rails and other track fixtures and appurtenances; in added facilities connected with offices, machine shops and other buildings; in the filling up of yards and the accumulation

of personal property; and finally in the substitution of equipment of a high order in the place of that of an inferior grade, worn out or destroyed. Under the operation of these silent and unobserved forces great properties develop."

Mr. HAZEN. The question which we have had under consideration in this House during the whole afternoon and evening cannot be said to be new, because I think, if you turn to the pages of *Hansard* since the building of the Intercolonial Railway, you will find no more frequent subject of discussion in this House than the management of that railway and the best way of getting rid of the deficit which has been staring us in the face year after year. From the time this road was constructed and operated, down to 1873, it was operated at a loss. In 1873 there was a change in the management of the Railway Department. Hon. gentlemen opposite came into power, and under their management, the deficits did not decrease, but went on increasing, and during one of those years the deficit reached a sum of nearly \$700,000. In 1878 after the Conservative Government came back into power, Sir Charles Tupper took the Department of Railways and applied the pruning knife to the management of the Intercolonial Railway with a very unsparing hand. The result was that for a few years he made the receipts equal to expenditures, but the pruning knife had been so closely applied that it was found that expenditures had again to be made to bring the road up to what it should be, and thus the expenditures became very much the same and the deficits again occurred. Since the Canadian Pacific Railway has become a competitor for the through passenger traffic and freight traffic from the west, the deficits have gone on increasing, until this year probably they will reach the high water mark in the history of the road. In considering the question of the deficits—and it is not at all a pleasant matter to speak of, because it involves an amount ranging from half a million to three quarters of a million a year—I think it is only fair to bear in mind what has been said by the hon. member for Westmoreland (Mr. Wood) and has been enlarged upon by the junior member for the County of Pictou (Mr. McDougald). Both these gentlemen, and particularly the hon. member for Pictou, have pointed out that, if the same system of keeping accounts were adopted in regard to the Intercolonial Railway as are used by other railway companies in the Dominion, the deficits we have to face year after year would not be so large as they appear to be, because, as both those gentlemen have pointed out, that in the case of the "betterments," as they are called, which, when made by any other railway corporation, are charged to capital account, are on the Intercolonial Railway charged against the ordinary running expenses of the road. If I understood the statements of these hon. gentlemen aright, that was the state of the case, and for my part, speaking not as a railway man at all, I fail to see why, if a company took up 56-pound rails and replaced them with 67-pound rails, the difference in cost should not be charged to capital expenditure, and I cannot see that it is a fair charge against the ordinary expenditure of the road. It would not be fair to charge the whole cost of the new rails against the road, but the difference in the expenditure should be charged against capital account. That is not done, and the result has been that a large amount has been charged against the ordinary expenditure of the Intercolonial Railway