SQUEEZING OUT PRIVATE ENTERPRISE

Municipally-owned public utility enterprises which operate "at cost" are usually in reality operated at less than cost. An example of this method is found in the London and Port Stanley Railway. The London and Port Stanley Railway was incorporated in 1853, and until only a few years ago operated a steam road over its own right of way from London, Ontario, to Port Stanley and Lake Erie. It was not, however, a paying road, the bonded indebtedness being very high. The city of London held a large amount of first mortgage bonds and the city of St. Thomas, which was the other large city served by the road, held a smaller amount. The latter sold its holdings to London. In 1916 it was decided that the London Hydro-Electric Commission should assume the road and electrify it. This was done and the passage of an act by the Ontario Legislature was also secured exempting the property from any taxation whatsoever. As a consequence, the London and Port Stanley did not pay one dollar of taxes in 1917.

Steam railways in Canada are taxed on the value of their lands and buildings only, the rails, ties and superstructure not being included. Electric railways, on the other hand, which operate upon the public highway and have, therefore, no right of way to be taxed, are subject to taxes on all their property. The electrified London and Port Stanley, however, owned its own right of way just as did a steam road. It escaped the taxation of both steam and electric railways. In the meantime, rates were fixed to cover the cost, which cost did not include the proportion of municipal expenses which such an enterprise should properly meet in proportion to its holdings in each municipality. It was, therefore, operated at less than cost.

In the meantime, however, at the instance of the municipalities concerned, an amendment was passed in the Ontario Legislature in 1917 making the lands subject to taxation just as if the company were a steam road While it would seem to be better to deal with the company as an electric road, which it now is, the municipalities concerned seemed satisfied with that amendment. There was a difficulty in Port Stanley, however, where the commission operated several amusement enterprises, including an inclined railway, bathing houses and a cafeteria which had formerly been operated by private parties and which had paid both property and business taxes; much revenue was lost to Port Stanley in this way. This point was brought up before the recent meeting of the private bills committee of the Ontario Legislature. The upholders of the commission maintained that these enterprises were run at cost for the public advantage, and should, therefore, be classed in the same way as a municipal enterprise such as a water-work system. They would be operated at cost only when the usual taxes were paid. As one gentleman remarked, what would be the situation if the commission chose to operate a hotel instead of a cafeteria?

Sir Adam Beck took the attitude that it was a matter of indifference to the commission whether they paid taxes or not as in that case the rates would be raised accordingly. "The United States roads," he said, "are all going into insolvency; so would the London and Port Stanley if it were taxed." If this is the case then the London and Port Stanley cannot pay its own expenses and survive, and the farmers along the route who enjoy a convenient service provided by stations at every mile along the road, are not bearing the expense of this service entirely in proportion to the use they make of it, but rather in proportion to their property assessment. It is also evident that private enterprise at Port Stanley cannot compete on such terms. There is an important principle in this case which supporters of public ownership must recognize. Municipal enterprises, when competing with private enterprise, must compete fairly; and the power of the government to tax or to exempt must not be used for purposes of discrimination.

A DOMESTIC WAR LOAN?

United States investors are to be congratulated upon their thorough knowledge of the investment field; it has not taken them long to show their appreciation of the merits of Canadian Victory bonds, as compared with Liberty bonds, or with any other bonds available at present prices. The Victory bonds, at the issue price of the present loan, offered a fairly long term investment, yielding five and one-half per cent., and free from Canadian taxation. As Canadian funds were at a substantial discount, they could moreover purchase at less than par. Even before the armistice announcement on November 11th, some subscriptions had been received. During the remainder of the campaign, which ended on November 16th, many large subscriptions arrived.

The same circumstances have applied in the market since the loan books closed, with the single exception that the long term bonds of both Victory loans could be purchased, through ordinary channels, only at a small premium. Large buying orders have been received, which, coupled with a firm home market, have resulted in a market of unusual strength, especially for the long term bonds. Considerable quantities of bonds, which it became necessary for industrial companies and individuals to unload, were eagerly purchased. The consequence is that the price has advanced, and the scale fixed by the bond dealers of Canada was raised early this week.

It is with some hesitation, therefore, that we should boast of our recent financial achievement. True, only a small proportion of the subscriptions came from without; Canadians easily oversubscribed the $500,000,000 required. But the subsequent market strength is to a large extent due to the American demand. It is different with the Liberty loans of the United States because they offered the lowest rate of any of the national bonds of the belligerent nations, and attracted scarcely a dollar of foreign money. The same is practically true of Great Britain and Australia. But Canada's offer was the most attractive among the allied nations, and citizens of the United States, who could more appropriately satisfy their patriotic motives by purchasing Liberty bonds, displayed their business acumen by subscribing freely.

This tendency towards a levelling of yields on national war bonds will, by all appearances, continue. Liberty bonds are weak on the market, while Victory bonds are strong; but greater price charges must take place before the yields even approximate. Canada has in the past stood high in the eyes of American investors, and her status has appreciated since 1914.

COMPULSORY SERVICE COST FOUR MILLIONS

Compulsory military service cost Canada in the neighborhood of four million dollars. This estimate is at about $32 per man drafted into the army, or about $20 per man of reinforcements actually made available under the Military Service Act. The latter figure is computed on the basis of registration. It comprises, in addition to men actually drafted, men who had been granted exemption for a period of time and would have been eventually available for service.

COBALT ORE SHIPMENTS

The following is a statement of the shipments of ore, in pounds, from Cobalt Station, for the week ended December 13th, 1918:—

McKinley-Darragh, 63,541; Kerr Lake, 57,434; Nipissing Mining Company, 52,985; Buffalo Mines, 253,187; total, 427,147.

The total shipments since January 1st now amount to 31,312,996 pounds, or 15,656.4 tons.