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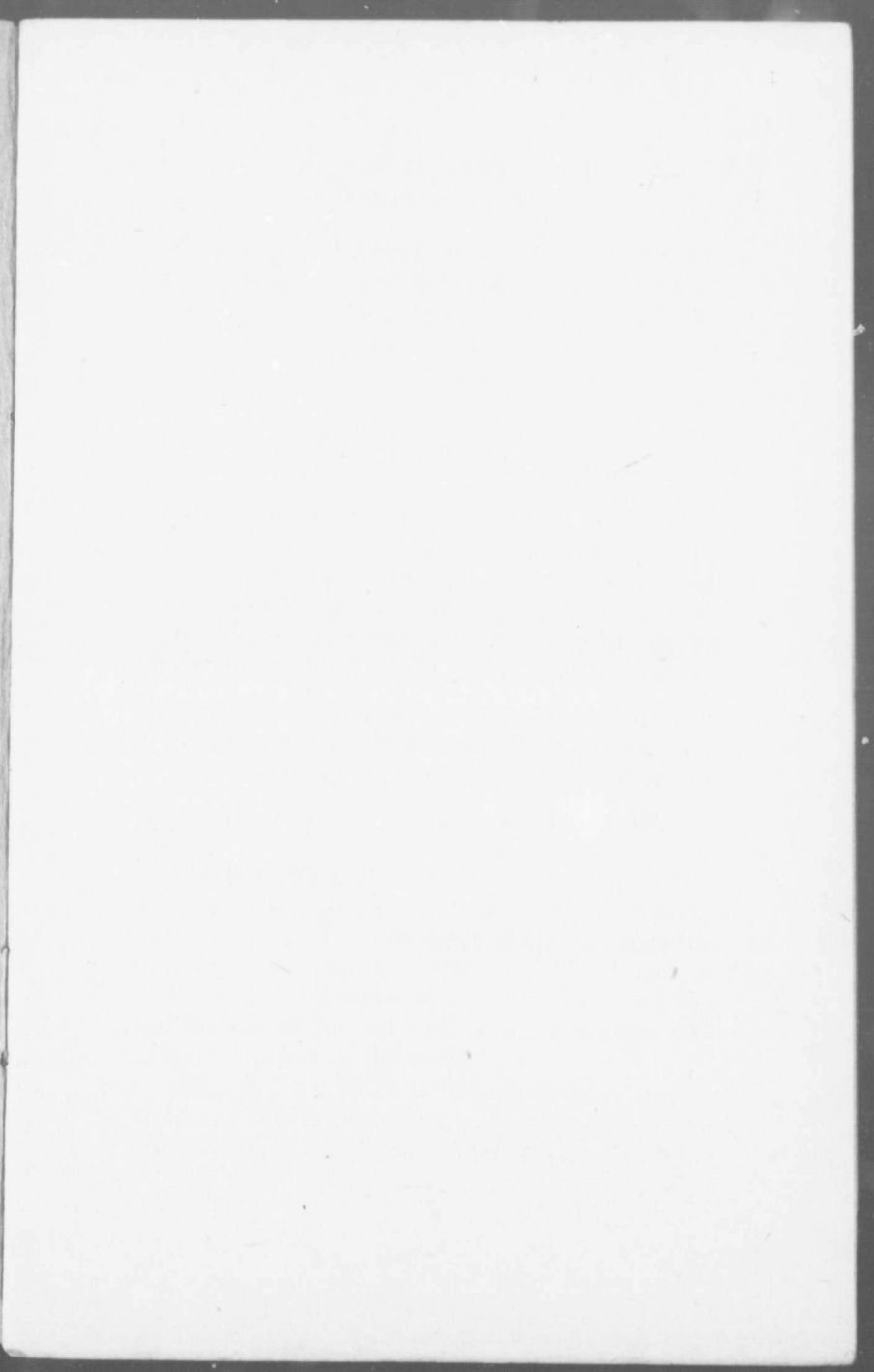
The Transportation Muddle and the Way Out

By R. J. DEACHMAN

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FOREWORD.

I believe that the cost of the track and roadbed of a street railway or of a steam railway should be charged against the land values of the community—in the one case against the land values of the City in which it operates—in the other against the land values of the country as a whole.

This would lower transportation charges—cut the cost of living and provide a measure of social and economic justice to all classes.

This booklet is an attempt to prove this point.

R. J. DEACHMAN.

Calgary, April, 1919.

THE TRANSPORTATION MUDDLE AND THE WAY OUT.

The City of Calgary owns its street railway. Calgary is a City in the Province of Alberta, in the Dominion of Canada and Canada is a Democratic country. In a Democracy all citizens should be treated equally. There should be neither political nor economic discrimination but in Calgary we build, at the public expense, sidewalks for those who walk—paved streets for those who drive automobiles—both of these free for those who want to use them—yet we charge our own citizens and taxpayers if they ride in street cars for the tracks on which they ride. Logically, the street railway track should be placed upon the same basis as the highway. Those who ride in street cars should pay only for the cars, the power and operating expenses—nothing more. The track should be paid for by the property holders just in the same way as they pay for the highway.

Making the Test.

A, B and C are citizens of Calgary, all property holders, who reside at a point two miles from the centre of the town. A. walks down in the morning. He uses the sidewalk. He is free to walk on that sidewalk all day. He pays nothing for the use of the sidewalk save only as he is a property holder in the town.

B goes down town in his automobile—sometimes he has a chauffeur. He rides the paved streets free. All day they are his to use if he

wishes to spend his time that way. He pays for his own car—for the gasoline—for his chauffeur but for the road he pays nothing except in so far as he pays for it in his general taxes.

C. goes to work in a street car. The fare he drops in the box pays: (1) Operating expenses (represented by power and labor employed); (2) The cost of the car; (3) The construction of the roadbed and the laying of the rails.

Why should A. and B. have the use of the roadbed on which they propose to travel provided for them by the taxpayers unless C. also has the same right. C. should pay for what he gets on the same basis as A. and B.—that is—C. should pay for the labor employed in operating the system—the power used in driving the cars and the cost of the cars but not for the roadbed or the track—these should be a charge against property—preferably against land values—in much the same manner as we now provide for our streets and sidewalks—the only difference being that as sidewalks or roads serve directly the property they front upon they may be paid for by frontage tax but the tracks and roadbed of the street railway should be paid for by a direct tax on all the land values of the City.

The Parallel of The Highway.

Street railway tracks are a part of the equipment over which our transportation moves. They are just as much an essential part of the means of

transportation as the sidewalk or the street. For the convenience of the people of the City, sidewalks and paved roads are provided. A man may use the road to a very small extent. He may hardly ever use the street car but the fact that a street car system is in operation permits of the business of the town being centralized and therefore operated more cheaply and efficiently than it otherwise would. Just in the same way paved streets and good sidewalks facilitate the transaction of business and make for the comfort of the people. The benefit of the street car accrues to all whether they use it or not.

In olden days, roads were paid for by fees collected at toll gates. Gradually it dawned upon people that this was stupid. The idea that traffic in itself promoted business and was a good thing for the community gained ground. Then toll gates were abandoned and roads were built and maintained by general taxation. Is not the same principle in every detail applicable to the building and maintenance of the street railway? Would it not, therefore, be just, right and economically profitable where the City owns the street railway that the cost of the roadbed and tracks should be met by a property tax?

Objections,

A Few

To this obviously reasonable argument, some there are who offer objections. It is argued that street cars run on steel rails and therefore the

proposition is entirely different. What has that to do with it? If we substituted cement for steel in the rails and if some wise man were to devise a composition of steel instead of asphalt for our roads would the situation be reversed? It is the purpose for which the road is used—not the product of which it is composed which determines its relationship to the citizens who use it.

Another argument sometimes hesitatingly advanced is that the property of the landowner is the security for the bond issue which built the road, therefore, the street railway should be run at a profit in order to reimburse the people who stood behind the original guarantee and who thus enabled the City to build the road. Let us return to our former illustration. C, who rides down in the street car is a property holder. He was one whose property formed at the time of construction of the road, a part of the guarantee of the bonds, therefore, when he rides the street railway he "pays twice"—he pledged his property to build it and he pays for the road as he rides on it. Meanwhile Mr. B rides past in his auto—on the road which Mr. C also helped to pay for. Obviously, C is paying twice and B only once.

Again it will be argued that C does not use the street car while A and B do at times use the roads—but C does use it or at least he gets use from it. Suppose for instance that he is a merchant. Is not his business more readily developed by virtue of the centralization of business the street car permits. May it not be argued that he may perhaps be the greatest gainer from the construc-

tion of the street car system? An improved method of transportation redounds to the profit of all—though not necessarily used by all.

Who Doesn't Pay Taxes.

It is even claimed by some that there are people who ride in street cars who pay no taxes. Everybody who lives in Calgary pays taxes. If he doesn't pay on property he owns, the bill is met just the same. It may be in his room rent or in the things he buys, but he pays—not infrequently pays more than the man who walks up to the tax collector and hands in a substantial check. Twist the issue as we may we can come to only one logical conclusion, viz., that the man who rides a street car should pay for what he gets and the man who rides the auto, it should build a road. Therefore, if the City builds a road free for the man who rides the auto should do the same. free for the man who rides the street car. Both classes should pay for their cars, the power and the help employed to operate them—fairness can ask no more.*

But the claim is made that privately owned lines pay for their own cost of construction and

*The capital investment in the Calgary Street Railway is \$2,343,969.17. Of this amount, \$1,357,155.86 represents the cost of track and sub-base. If we allow 5 per cent. interest on the cost of track and sub-base and 5 per cent. per annum for depreciation we have a total of \$135,715.78 which should be the annual charge against land values. Passenger revenue approximates \$600,000 per year. If the street railway is meeting its operating expenses and fixed charges today the suggested changes in financing would permit of a reduction in fares of over 20 per cent.

even return a share of their profits to the general fund of the City. It may even be urged that the share which a City may receive in this way helps to lower the tax rate and that to reverse this process by charging a share of the cost of construction against the property holders is unjust. A privately owned street railway, however, if it shares its profits with the City must first take its profits out of the citizens. If this profit is used by the City to lower the rate of taxation it simply means that A and B if we may use our former illustration, are selling to a private company the monopoly privilege of exploiting C for the purpose of lowering their own taxes. The municipal morality of such a transaction is open to the gravest question. Property has no preference rights. There is no reason why property which profits in every way from the extension of utilities should receive direct relief of taxes from their operation. It would be as absurd to hand the profit over to the landowners as to hand it over to the doctors or lawyers.* Naturally the same conclusions hold good regarding the taxation of a street railway. If property holders have no right to take profits from a private railroad, they have no right to compel municipally owned street railways to pay taxes—unless they are also

*As a matter of fact it would be less absurd. If the profits from the street railway were turned over to the doctors and lawyers more people might be drawn into that business and in consequence competition might bring about a lowering of charges. By giving the profits to land-owners we tend to encourage the speculative holder of land and consequently we encourage high rents. The present system is the climax of absurdity.

willing to make the highways and sidewalks pay taxes by collecting from those who use them.

From the Financial Standpoint.

Now, let us examine the problem in its financial aspect and see where the property owners come into their share. Who built the Calgary Street Railway? The City. How? By a bond issue. The bond issue is in fact a mortgage upon the entire property of the City but immediately the construction of the street railway was assured, the real estate values of the City increased in price so that much more than the cost of the street railway was added to the land values of the community which was served by the street railway. In the City of Calgary, two lots on a certain corner two miles from the centre of the City were assessed prior to the construction of the street railway in 1911, at \$655.00.** Immediately after its construction they were assessed for \$2640.00. The cost of the street railway to date has been \$2,343,969.17. Construction commenced the spring of 1909. The assessed value of lands in the City in 1908 was \$10,282,068.00. Two years later it was \$22,433,417.00.* Obviously, the increase in the land value owing to a large extent to the construction of the street railway and the

**The lots for this comparison were selected at random. They are residential property—lots 19-20, block 15, plan 5584R.

*It is not claimed that the street railway was the sole cause of the increase. Other factors had an effect—but the street railway was an important factor especially in outside lands because it increased the number who could reside at outside points.

extension of other utilities was more than the cost of putting in the street railway so that the land owners were not in reality paying anything for the cost of the street railway. They gave their pledge for its cost of construction but under practically no conceivable circumstances could they be called on to met that obligation. They were in fact in the position of giving a guarantee for certain funds knowing that others would meet the guarantee and having their own wealth in form of land values automatically increased the moment the guarantee was given. In every way the land owners stood to gain by the transaction. There is no approach to economic justice in the refusal to compel those who made the profit to pay the cost.

The Land Owners' Profit.

The construction of the street railway gave to the owners of land in the City a straight gift represented in increased value of their lands of many millions of dollars. So obvious is this fact that on several occasions syndicates of land owners have offered to construct street railway lines to their subdivisions provided the City would undertake the operation of the railway after the road was constructed. They were willing, if necessary, to bear the direct burden of the cost owing to the increase in land values which would

thereby accrue to them.* If Calgary today were to tear up one street car line which runs into any residential part of the City there would be such a decline of rental value in the land served by that line that it would pay the land owners out of their own pockets to reconstruct the road. It is a reasonable principle of action that those who get the goods should pay for them—surely those who get the benefit from the construction of the street railway should pay for its construction. **The land owners admit that land values must go up with the construction of a street railway. They would be the first to grant that it had been true in Calgary but they argue that taxes also went up and that therefore the burden was thrown upon them. But the tax rate has averaged less than 30 mills. Money is worth at least 7%, so that on the face of it—the advance in land values was equivalent to a grant of money at 3% in a country where money is worth at

*When the Calgary Street Railway was extended to what is now Shouldice Park, Mr. Shouldice gave to the city one hundred acres for park purposes and paid \$2,625.00 for grading of road.

The Bowness estates paid for the construction of the line from Shouldice to Bowness and gave the city over one hundred and sixty acres for park purposes. No doubt both of these donors found it profitable to do this. They did it because it paid—because it injected values into land, but we have not even charged a part of the remainder of the road against land values!

**The Ogden branch of the street railway was constructed in order to induce the C.P.R. to build its shops at Ogden. It was a bonus given to bring an industry to Calgary. If it was a benefit to have the industry, surely it did not benefit the riders of street cars alone. Then why charge it against them instead of against the land values created by the coming of the industry?

least 7%.* Surely our landed gentry should be satisfied. They should not under such circumstances be unwilling to pay the interest and sinking fund on the cost of the construction of the roadbed and track of the street railway**—just as in the same way they are today bearing most of the cost of construction of sidewalks and roads, and they should blush to think of asking the people who ride on the street railway to make any contribution to the general taxes, at least, until that far distant time when we turn back the hands of the clock, return to the forgotten days of our grandfathers and erect toll gates at every cross-road, making everyone who goes by contribute to the upkeep of the road.

The principles advocated here with direct reference to Calgary and its street railway are equally applicable to every other street railway. The case is plain. We are living in a new age, but we hesitate to accept new ideas. We hug the shells of old beliefs long after the substance has gone from them. We have grown up under the idea of operation for profit—it is hard to escape from it. The toll gate seems close to us—it was only in our grandfather's day, but as soon as men

*Of course when land is sold it is sold subject to all taxes which may in future be imposed on it. Therefore, when a lot increases in value to the extent of \$1,000 while taxes have gone up from 20 mills to 30 mills, it represents a net increase because the purchaser knows he must, in addition to the purchase price, pay the taxes at the imposed rate.

**In one case a syndicate of Calgary land owners offered to pay for any deficit in operation for five years as well as the cost of construction of the road providing the city would operate the road at the end of five years.

think in terms of justice and service instead of cent, percent and profit, we will find it necessary to accept new principles in the working out of the problems of municipal ownership.

Reform Imperative.

Social reasons alone render imperative this reform in our system of financing street railways. Throughout America the street railway has come upon evil days; bad management, over building, poor construction, high costs of operation and automobile competition have brought a condition wholly disastrous to the street railways. The great majority of street railway systems have been compelled to increase their fares. The increased fare does not provide the solution because almost invariably it leads to a decrease in the number of passengers carried, and consequently to a relatively small increase in the revenue of the street railway system. Socially, the losses from increased fares are great. Increased cost of transportation leads to congestion in the centre of the City—congestion leads to slums. For that reason alone the street railways must be placed upon an entirely different basis. We must find a new way of financing such utilities — and the basis of that better concept lies in the application of the system now employed in connection with our roads and sidewalks. What could be more simple than adapting to our public utilities this elemental idea of making those who receive the gain contribute to the cost. Socially created

land values are the legitimate property of society and socially created values must be used to meet the needs of society.

It's True of
Steam Railways.

The same principles should apply in connection with the operation and construction of steam railways but our railways must first be nationalized. No country in the world, with the possible exception of the United States, has been more thoroughly stupid in regard to its railways. We have built beyond immediate needs. We have duplicated and re-duplicated. We have built thousands of miles of railways which serve no possible purpose unless the original object and intention of the construction was to make a direct contribution to railway contractors. Today we have two Government owned railway systems, one under private ownership and one which is practically in No Man's Land. The gains from public ownership are too obvious to need comment. In the City of Calgary, and the other cities of Canada are a replica of this, we have three separate railway stations, three separate ticket offices, telegraph offices and express offices. It is not an uncommon thing where a shipper desires to send out three small express parcels for three separate wagons to call in order to distribute three parcels to three different lines. It is an unholy trinity of waste. If this were done in regard to the Post Office there would be a political storm which would overthrow the Govern-

ment. In Government administration every act is brought under criticism by Parliament, but privately-owned railways go on regardless of criticism—regardless of the interests of the public.

Are Government Railways Inefficient

The main argument urged against the Government ownership of railways is that they are inefficient because of political influence. The main illustration used in connection with this assertion is the Intercolonial Railway which unites the Provinces of Nova Scotia and New Brunswick with Quebec, the terminus being Montreal in the West, and Halifax in the East. The claim is made that this railway has not paid, but that to a large extent depends upon what we mean by "pay." The Intercolonial was not a business proposition in the beginning. It was built for political purposes. It was part of the bargain of Confederation. It was the price paid for unity. On that basis a certain percentage can, in all fairness, be written off.

The Intercolonial.

Then the Intercolonial Railway has no Western connections to give it business in the same way as the Grand Trunk and the Canadian Pacific Railway. It is the only railroad in Canada which faces water competition throughout almost its entire length and rates are lower than on any other railroad in Canada.* Besides, it must be remembered that the Intercolonial runs through

a relatively sparsely settled territory and that it faces in addition to the water competition two privately owned roads which exert their pressure constantly against the successful operation of the Intercolonial. It is a mere truism to say that a country cannot maintain its railroad systems upon the basis of one-half privately owned and the other half Government owned. The Government owned section will be compelled at all times by force of circumstances to yield the advantage in so far as money making is concerned, to the privately owned line. This does not by any means argue that the Government owned line does not render the greatest service to the community but only points to the fact that the privately owned line adopts methods of increasing its earnings which are not open to the Government which must operate for the benefit of the people as a whole and not for the interests of private profit.

*If rates on the Canadian Pacific and Intercolonial had been interchanged in the year 1913, the Canadian Pacific would have earned \$24,051,716 less while the Intercolonial would have earned \$3,010,784 more. The Intercolonial instead of balancing income and outgo would have had a surplus of \$3,787,873, the C.P.R. in place of net earnings of \$43,049,764 would have had a credit balance of only \$12,523,944. The C.P.R. on the cost of \$475,370,064 would have earned precisely 2.6% while the Intercolonial on the cost of \$97,127,091 would have earned within a shade of 4%. In fact if the C.P.R. had been tied down to the Intercolonial passenger and freight rates in 1881 it would inevitably have been in the hands of a receiver many years ago.—From statistics compiled by J. L. Payne, Controller of Statistics of the Department of Railways as recorded in the Canadian Railway Problem, pages 136-137.

Morals Will Improve.

Nor is it claimed in this argument that the governments are free from censure or that administration in the past under Government direction has been everything that could be desired, but the only answer to this is that we must face the problem of securing greater efficiency in our methods. Unless we can do this we must decide that Democracy is a failure but it takes no great optimist to believe that improvement in this regard is inevitable. The history of any country in its earlier stages of development is almost invariably a story of political corruption. The Indian Civil Service which is today the admiration of the world for the probity and sincerity of the men who are directing it, was apparently not so free from censure in the early days of the East India Company. The history of railroad building in England and of the old turnpike roads in that country reveals the fact that political corruption was in evidence in almost every transaction. American railroad history tells the same story of colossal fortunes built at the expense of the country, and the Dominion of Canada has several rather black chapters in the history of railroad development. There are only two restraints which hold in check the tendency of humanity to wander from the straight and narrow path. These are the moral restraint and the fear of bankruptcy. The moral restraints are broken down by the lack of social control in a new country and the sudden development of

great new industries produces a similar effect in an older community. The equilibrium is regained as the country becomes more thickly settled, and the social life has adjusted itself to the new conditions. In every new country the prodigality of resources seems so stupendous that men take risks and indulge in extravagances which would never be considered in a more settled community. This is precisely what has taken place in Canada and we may look forward to improvements in the conduct of Government administration.

Regulation Always Fails

Almost every conceivable compromise in the way of regulation and control has been attempted in connection with the railways but the main drift throughout the world today is towards Government ownership. Even the strongest advocates of private ownership have been gradually forced to admit that attempts at regulation are in the end, abortive. As one writer very ably put it: "A community cannot regulate against millions of dollars organized to prevent it. This temptation disappears when the Government becomes the owners." The difficulties of Government ownership are obvious. The solution is not complex. The problem is to secure men of ability and experience and to keep them in office as long as they show efficiency and capacity and whatever difficulties that problem may present must be faced in every line of Government activity.

It should not be more difficult in connection with railway operation than in connection with any other feature of Government work. That privately owned railways are a debauching influence is within the knowledge of any man who has come in touch with Legislative efforts at Ottawa during the past few years. Sir Edmund Osler is one of the large stock holders of the Canadian Pacific Railway. He should be in a position to know the influence of the railways upon Parliament. Speaking in the House of Commons in 1899 as recorded in Page 9366 of Hansard for that year he said: "There is no necessity for bonusing these roads but there is every necessity for stopping the bonusing of any road unless it may be in the Northwest or in the Yukon where some great public interest requires it. I differ from my leader and from the leader of the Government when they agreed that these railways were not sources of corruption. I contend that there are a main source of corruption in elections such as we are now having exposed. It is from such subsidies that the money is supplied to pay the men who have been engaged in ballot stuffing and the election frauds which we hear so much about. These men are not committing these crimes for nothing—they are paid with the money of the people." Evidently our railways sometimes get into politics.

It is urged against the Government ownership of railways that it would introduce politics into

the running of our railways. *Might not such a course be a decided gain? Is it not true that we now have railways in our politics? Politics in railways could hardly be worse. Politics is the business of the people and the sooner the people are brought to a consciousness of the fact that the railways are the people's business, the better will it be for the people. Here is a case in point:

Getting the Railways Into Politics.

Southern Alberta has large fields of natural gas. The gas supply is controlled largely by one private corporation. The Canadian Pacific Railway has large coal fields in the same area. It is to the interest of the railway company to see that the gas company gets a high price for gas. High prices for gas make a better demand for coal. The City of Lethbridge is the seat of the mining activity of the railway company. The same city had given a franchise to the gas company—but the company was not satisfied with the price. It was proposed to amend the agreement and the agreement was to come before the people. Let us see where the railroad stood upon the question. It could exert an influence upon

*As a matter of fact neither in Belgium nor Germany nor in any other country possessing state railroads has any such serious and concerted effort ever been made to coerce employees into voting against their private convictions as was made by corporation railway officers in the United States during the Presidential campaign of 1896.—Vrooman, in American Railway Problems.

the men in its own mines. The decision of Lethbridge in the matter would influence coal prices and gas prices throughout Southern Alberta. Enter the evidence in the case consisting of three letters read by Mr. Alex. Ross, M.L.A., at the last session of the Legislature. "A" purports to be a copy of a letter from Mr. Shaughnessy, at that time President of the C.P.R., to Mr. J. S. Dennis, Assistant to the President of the C.P.R. at Calgary. "B" the reply of Mr. Dennis. "C" a memo from Mr. Naismith to Mr. Dennis.

"A"

June 20th, 1912.

J. S. Dennis, Esq.,
Assistant to President,
Calgary, Alta.

Dear Sir:—

It would appear that when the Natural Gas Company, who are now laying their pipes between Bow Island and Calgary, acquired the Calgary Natural Gas Company, they also acquired a similar property at Lethbridge. The Calgary contract provides for a charge of 35c for domestic use and 25c for gas for manufacturing purposes, while at Lethbridge the charter of the Gas Company requires them to furnish the public at 25c for domestic and 20c for manufacturing purposes. At the latter price the Gas Company is confident that they could not earn the interest on the cost of providing the gas supply of Lethbridge, but to them a more serious feature of the situation is that if they, at whatever sacrifice, conform to the price stipulated at Lethbridge, they will have constant trouble and complaint at Calgary, and, therefore, they have been negotiating with the town of Lethbridge for an amendment to their agreement with the town that will enable them to charge the same price at Lethbridge as at Calgary. The City Council I am informed has passed a by-law approving of this and the by-law is to be submitted to the people. On the face of it the proposition is a fair one, and I think that we might with propriety give it countenance. You might ask Mr. Naismith to drop a hint to those in charge of the coal and

irrigation interests at Lethbridge to the effect that the Company sees no objection to the passing of the by-law. I have written Mr. Bury also.

Yours truly,
T. G. SHAUGHNESSY,
President.

The reply follows:

"B"

28th June, 1912.

Dear Sir:—

I have your personal letter of the 20th inst. with reference to the supply of natural gas at Lethbridge, and for your information, attach copy of memorandum from Mr. Naismith regarding the matter.

Under our agreement with the Canadian Western Natural Gas, Light, Heat and Power Company they are obliged to have a 6-inch pipe into the City of Lethbridge for the supply of natural gas before the 30th of September next, and to supply gas at the price set out in the original franchise granted by the City.

The claim which is being made by the Gas Company that unless the amended by-law passes they will not provide gas in Lethbridge is there for a pure "bluff."

It is quite natural that the Gas Company should endeavour to get a better price if they can and in accordance with your instructions we will do what we can to assist the passing of the by-law.

There is, however, a great deal of opposition to it in Lethbridge and both Mr. Naismith and myself are somewhat doubtful as to whether it will be carried.

Yours very truly,
J. S. DENNIS,
Assistant to the President.

Sir Thos. Shaughnessy,
President,
Montreal, Que.

"C"

Calgary, Alta., June 25th, 1912.

Mr. Dennis:—

Re your memo and the President's personal letter in reference to the gas franchise at Lethbridge. I have always had pretty strong feelings in regard to the actions of the Gas Company at this point and have felt that the whole proposition as they put it up, was a hold-up.

After considerable lobbying, about three years ago a franchise was acquired by Mr. Dingman for the supply

of natural gas to the City of Lethbridge on a basis of 25c for domestic use and, I think, 15c for power. Under this franchise he had until next year to bring the gas into the city. Meantime his franchise has been disposed of and is now in the hands of the Canadian Western Natural Gas, Light, Heat and Power Company. As soon as they decided to put the pipe line in, they approached the City of Lethbridge with a view of ascertaining whether arrangements could be made whereby the price should be increased from 25c to 35c for domestic use and 15c to 25c for power use. The proposition was rejected several times by the Council to present a by-law to the ratepayers authorizing an increase of the rates. They did this under threat that they would not come into Lethbridge but would leave it on the outside. Under the new by-law submitted there is no question so far as the City is concerned, some considerable concessions have been made, as the old franchise was about as loosely drawn as possible.

The weak points so far as the control of the streets is concerned and supply of gas, have been entirely eliminated and so far as that feature is concerned, a decided improvement has been made. Under the old franchise, all they guarantee to supply was a minimum of 250,000 feet, and in the negotiations the new Company practically intimated to the City that unless they conceded the points they asked for, they would not supply any more than 250,000 feet which of course would be entirely inadequate for the supply of the City. To my mind it is questionable whether the by-law will carry or not, but they seem to have by some means or other, got the co-operation of a number of people who were formerly very antagonistic to any such increase.

So far as our coal operations at Lethbridge are concerned, the increased price will be a benefit, as at 35c it is just a question if it would not be cheaper to burn coal than gas, and I fancy that a large number of people, rather than go to the trouble of installing gas, will continue to burn coal.

P. L. NAISMITH,
Manager.

If these letters reveal anything, they indicate that possibly our railways are already in politics—that they are in a position of very great power and that the way men may be induced to vote by the influence of a railway corporation may have

a great deal to do with increasing the cost of a primary product to the Canadian people. Such actions would necessarily be eliminated by the government ownership of railways. It is of vital interest to our Canadian people to see that this is done. A railway should not have the power to nullify the blessings of Providence in giving a gas field to Southern Alberta.

Getting Them Out Again.

Danger lurks in every corner when organized business dominates. The highways of England were a one time leased to toll-gate companies and all maintenance and repairs of highways were made by these companies. The scandal of the business became disgraceful. Lobbying was the order of the day. It cost as much to get a franchise as the company put into the road. It was a cruel, wasteful and impossible condition. Gradually it was eliminated. Then roads became public property—commerce was no longer checked by taxes levied by private companies—the roads were constructed from general taxation.

Landowner Becomes Tax Collector.

Then came the railways. Logically the same principles should have applied to the railways, but pressure of the private companies was great. England engaged in a debauchery of railway construction which culminated in the railway panic

of 1845-7. The panic could have been avoided by sane action, but every country which places its taxing power in the hands of private individuals must be prepared to pay the price, and the right to construct a railway carries with it the right to exercise the power to tax the people who are compelled to use the railway—fundamentally that power rests in the State. Taxation should be the prerogative of the State alone. It should be the first and most elemental principle of taxation that the taxing power should not be given to any private individuals, to any corporations, or to any party outside of the State.* Yet this is precisely what takes place when a railway is constructed by private means under the present system of financing. It takes place in two ways—a railway charge sufficiently high to make railways pay profits, and a land charge as well. Take for instance the extensions which are now being made by the Canadian National Railways through different parts of the West. Supposing a line goes into a new territory and a townsite is established at a certain point. Eventually a town is built there. The farm becomes a townsite. It is

*A few years ago a number of wealthy merchants went to the General Manager of the Midland Railway in England and on the ground of being heavy shippers insisted that he aid them in their competitive struggle with the co-operative societies. Accordingly a general order was issued that all employees must withdraw from the co-operative societies. The bulldozing order would have been carried out had not the Co-Operative Union threatened to withdraw all its freight from the road—and to block the railway in every possible way. Only the possession of a big stick made the railroad withdraw.—The Railroads, The Trusts and The People, by F. Parsons, pages 281 to 282.

cut up into lots. The lots increase in price. The original owner of the farm on which the station was placed becomes immensely wealthy, either through his rents or through the interest on his investments. He is able to live in luxury and compel other people to contribute from their toil to his prosperity. He has, in fact, appropriated to himself the power to tax the community by virtue of his claim upon the rents of the community through the land which he holds. Either he or his descendants will, unless some change is made in our social arrangements, hold that privilege throughout all time.

He Pockets the Collections.

The construction of the railroad which should be essentially a public utility for the advantage of all, has transferred to that individual the right to exercise the taxing power upon the community. The injustice of such a process is so obvious and flagrant that we would be inclined to revolt against it were it not for the fact that long custom has dulled our minds to the injustice of the proposition. We should resent it with the greatest possible bitterness—and oppose it by legislation which would compel a change. The change in some measure at least would be brought about by charging the cost of the construction and maintenance of the tracks directly against the land values of the country. It would by no means obviate the whole difficulty—it is only a measurable approach to justice. It is open to question

if anything short of complete land nationalization will prevent the private owner from appropriating the socially created values, but placing railway costs where they belong would help.

The Social Necessity.

There is just as great a social necessity for a low transportation charge for passengers on a steam railway as on a street railway. High passenger rates tend to increase the isolation of the community and the nation. High freight rates strike at the vital point of the cost of living. We have reached the stage where we can no longer pay twice for the construction of a railroad and that is precisely what we are doing to-day. The construction of the line injects values into the land. These socially created values must pay for the construction of the railroad or if we do not employ them in this way and if the values are allowed to remain in the hands of individuals they become a drain and not an aid to production, but if the social values are taken for the purpose of constructing the tracks as legitimately they should be we have tended to lower the cost of living to the entire community and thus improved the general conditions.

Economic Justice.

Let us examine the economic effect of the adoption of this idea. Freight is a primary charge against the cost of production. If only the

rolling stock and operating expenses form the basis of the freight charge, freight rates will decline materially. There may be four or five or even more freight charges in a commodity before it reaches the ultimate consumer. For instance, the hide goes to the slaughter house on the steer—there is a freight charge; the hide goes to the tanner—from the tanner to the shoe factory—from the shoe factory to the jobber—from the jobber to the retailer—from the retailer to the consumer, sometimes direct, but just as frequently by freight or express. Each time it passes into new hands, a profit must be made upon the cost and cost represents at each turnover invoice price plus freight. In the case cited there are six freight charges. It is claimed that on the average there are five freight charges in every finished commodity. How plain therefore is the statement that a reduction upon the primary costs of any commodity will affect the selling price much more than will a reduction at any secondary point on the journey from a raw material to the hands of the consumer. How absurd, therefore, that high cost of living commissions should waste effort upon enquiries on the high cost of living when fundamental conditions are left untouched!

By the application of this principle at the present time we have one great opportunity to develop our manufacturing and distributing business. A reduction in a basic charge such as freight would lower the cost of manufacturing—enable our own manufacturers to maintain a

stronger hold upon their own market and assist in helping them to gain foreign markets. It would show its influence upon every productive industry throughout the entire country.

In considering the objections which may be urged against this new method of financing our railroads, there are only two that are worthy of serious consideration. It will be claimed by those who do not stop to think that if the cost of railway construction is placed against land values that the land owner will, in turn, charge this to the individual user of the land in the form of an added charge for rent. Economically this is not possible. Land is a fixed quantity, but even in the most thickly settled territory all land has not been brought into use. Tremendous areas of the country are held for speculative purposes or maintained in a condition far below maximum productive capacity. An additional impost upon land, therefore can have no other effect than to bring land into use. If the amount of land brought into use is increased, it simply means that more people will be offering land to rent, consequently, the rent charge should come down instead of going up, and the proportionate share of the wealth produced in the country which goes to the landlord in the form of rent should be less than it is under present conditions.

The Poor Investor.

It may further be claimed that railways have been constructed in Canada upon an entirely dif-

ferent basis—that to make the change now would be an interference with vested interests, that men who hold lands bought before the imposition of any tax for the construction of railroads would protest against the imposition of such a tax and claim that it was, in effect, a confiscation of values for which they had worked and paid. Obviously if the present system is wrong, the perpetuation and continuation of it can never make it right. Canada is relatively a young country—a great deal of our railroad construction is still to be done. There can be no time better than the present to make the change from an unsound and untenable position to one which is fundamentally and economically sane and right.* If the contention that the track cost should be charged against land is right—morally and economically—then it is wrong to charge it against the freight carried. If to-day we are working upon a wrong basis—to-day is the time to rectify it—there is no other time, and the injustice in making the change would not by any means equal the injustice of letting conditions remain. Society does not hesitate to adopt new machinery if it involves

Evidently the French caught this idea:

*“When this survey was completed, they next took up the question of principles of ownership and management. While other countries were acting and experimenting, France was reasoning. There was a long series of debates in the years 1837-1840. Nothing was settled until 1842. The author of the plan finally adopted was Thiers. The state was to contribute about \$50,000 per mile and own the roadbed. Private enterprise was to be called upon for whatever was necessary about \$40,000 per mile) for track, equipment, buildings, etc. After some forty years the whole was to revert to the state.”
—Railroad Transportation, by Hadley.

a saving of costs, and the programme as outlined is simply a labor-saving plan. We need these economies—we need them now more than ever. Surely if the case is clear the forward movement can begin. Nor is it absolutely essential that the change should be made at once—it is important that it should begin. In cities the cost of the track should be shifted gradually unto the land owners. Now is the time—we are in grave danger of another boom in land values. If it comes it will leave attendant evils in its train. Apportioning to land the charges which legitimately belong to land in street railway construction will check this unfortunate tendency. The same thing is true in regard to the railways. The force of circumstances is bringing us nearer to complete nationalization every day, but we fail to take the full advantage of the gains it will bring if we do not at the same time begin the change to a sound basis of financing. Social justice demands it—it is economically sound—it is just—it should be done—the start should be made now.