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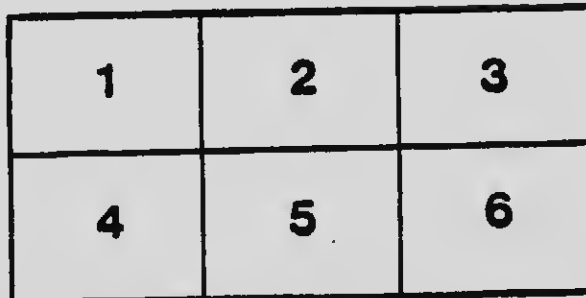
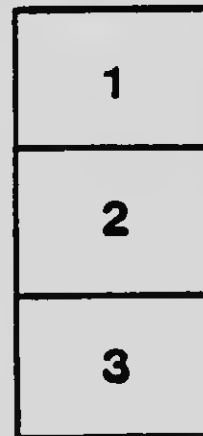
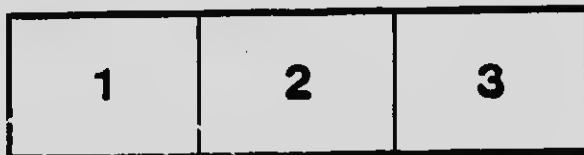
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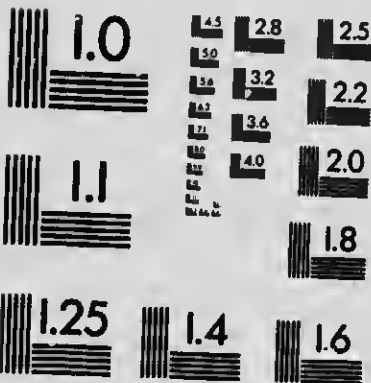
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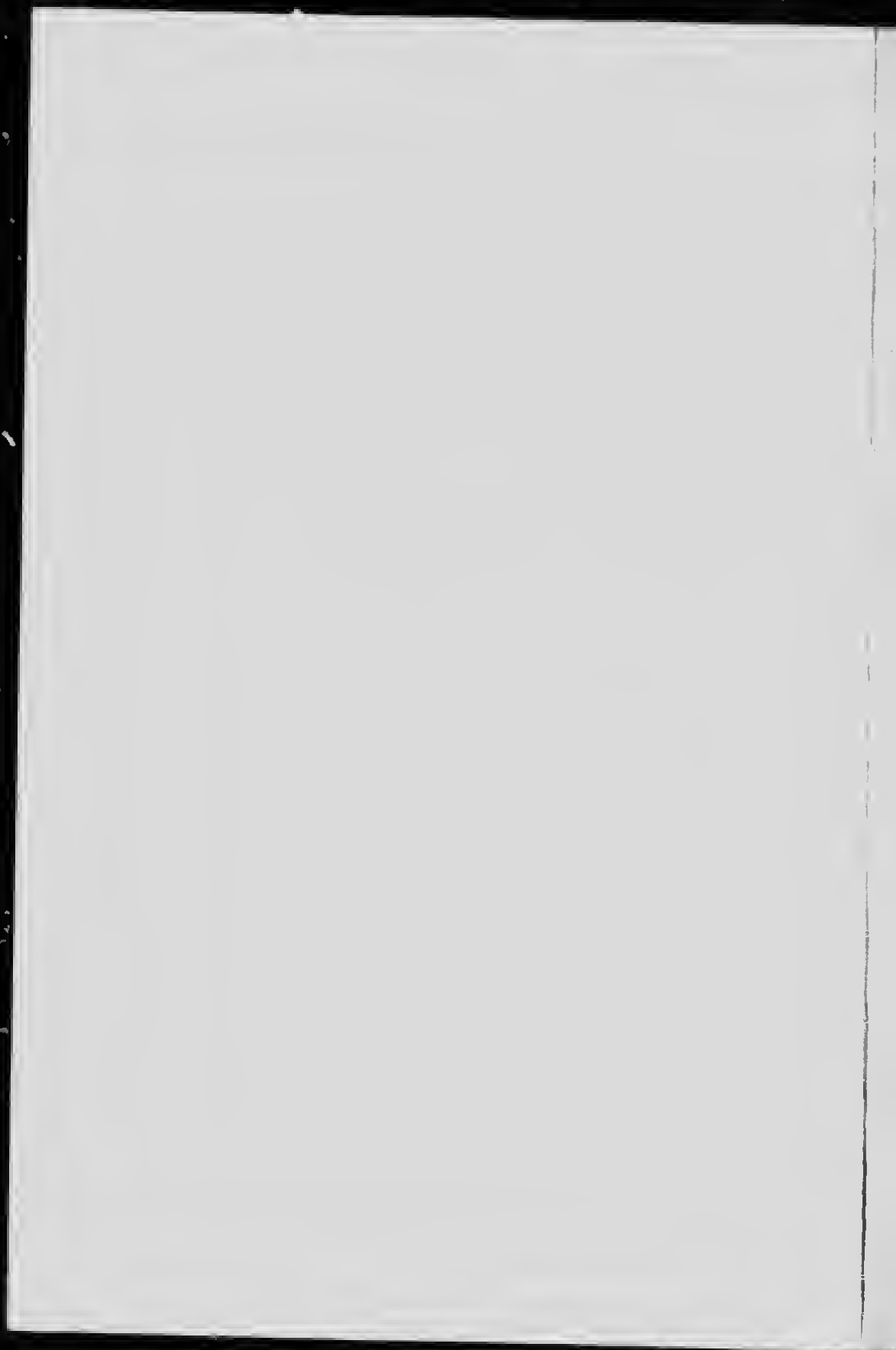
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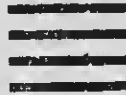


RAILWAY SUBSIDIES

— AND —

RAILWAY TAXATION

Speech Delivered at Burford
Village May 4th, 1904



By T. H. Preston, M. P. P., South Brant

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An interesting discussion took place in Barnea Hall, Burford, May 4, 1904, at 8 p.m., when a public meeting was held under the auspices of the Farmers' Association of the County of Brant, for the purpose of listening to a discussion of the questions of Railway Subsidies and Railway Taxation by Mr. Smith of The Weekly Sun, Toronto, and Mr. T. H. Preston, M. P. P.

TWO-CENT PASSENGER RATE.

Mr. Preston, after expressing his satisfaction that an opportunity had been afforded him of discussing questions of live public interest before his constituents, said he had nothing much to complain of regarding Mr. Smith's address. The one fault, perhaps, was that in the presentation of his side of the case he (Smith) had failed to present facts of a material character, more particularly as to railroad taxation, which it was necessary to carefully consider before an intelligent decision could be arrived at, either as to the amount of additional taxation which the companies should bear, or the method of distributing that taxation. For his part he (Preston) did not pose as an authority on the question, but he thought he knew enough about it to see that it was many-sided in its character, and that there were many matters of information in connection therewith of which the general public, and even the members of the Legislative Assembly, were, for the most part, but imperfectly seized. He hoped, in any event, to convince his hearers, before he got through, that he had tangible reasons for the course he had adopted relative to the questions under

discussion during the session which had just been brought to a close.

Before taking up the larger questions, it might be desirable to explain why he had just seconded a resolution asking the Dominion parliament to impose a two-cent passenger rate on the Canada Southern road, seeing that he had voted against the immediate application of such a rate to the railroads in New Ontario which might be hereafter be subsidized by the Ontario government. The explanation was an easy one: it was that the conditions were entirely different.

They would all be pleased, of course, to travel, not only at two cents a mile, but at one cent per mile, but it was apparent that the lower rate must first of all be applied to roads in the well-settled parts of the province, where the density of population and the density of passenger traffic were great, (to roads in fact which were not now being subsidized and were within the control of the Dominion parliament), and last of all to the roads in the northern parts of this province, which were the only ones which the Ontario government was assisting.

There were a good many erroneous ideas prevailing relative to the existence of two-cent rates in the neighboring republic. To read some newspapers, or listen to some speeches, one would suppose that a two-cent rate generally prevailed in the United States. Such was far from being the case. There was no universal law of the kind in any state of the Union. In New York state, some years ago, the Legislature of that state had im-

posed as a condition of granting certain desired legislation to the New York Central, for the acquisition of another line, that it should give a two-cent fare on its main line. Some other roads had been forced to follow suit, but there was no legislative enactment than such as he had named. Michigan had been referred to, but Michigan only demanded such a rate on roads whose gross passenger earnings exceeded \$3,000 per mile, in which class we had but one Canadian road. In the Northern Peninsula, Michigan railroads could charge as high as four cents per mile, and these were the roads which corresponded most closely to those of New Ontario. To impose such a condition on the latter roads would mean the imposition of higher freight charges, which would be a serious handicap, not only upon the settlers, but also upon all doing business with our north country, or else we would be compelled to increase our subsidies—the very last thing which some of the gentlemen present thought we ought to do. Instead of making such an unreasonable condition, the government was securing a one-cent passenger rate for the incoming settler, and half-rates for his effects, and was also holding out the expectation of a two-cent fare on the Temiskaming road, which it was building itself. More than this it was not reasonable to expect at present.

As to the Canada Southern, which was now asking for legislation at Ottawa, it had for the year ending June 30, 1902, passenger earnings amounting to \$1,203,615, an average of \$3.164 per mile. This brought it within the scope of the Michigan law to which he had referred, and ability to pay was therefore presumed. Furthermore, it was connected at either end with roads having a two-cent rate, and therefore occupied an exceptional position. With such a road the experiment of a lower passenger fare might well be made, and if it worked satisfactorily it might afterwards be extended to other roads in the older parts of the province, and probably, in course of time, to those in what was now known as New Ontario.

RAILROAD SUBSIDIES.

Coming now to the highly important question of Railroad Subsidies, Mr. Preston said it might be taken for granted that the giving of such subsidies was a matter of expediency, rather than of principle. Those who had inadequate railroad facilities, or none whatever, favored them; those who were more fortunate opposed them. There would be no talk of opposition to subsidies at such a meeting as he was now addressing if the conditions hereabout, from a railroad point of view, were what they were fifty years ago, or even much later. In the pioneer days of our own West, when a great lone land had to be developed, the mountains pierced, and the rocky fastnesses north of Lake Superior penetrated, no westerner, at least, said "No" to subsidies. Nor was there any resident of New Ontario who would be found opposing a policy which was intended to give him speedy connection with the outside world, and some of the advantages which older communities were enjoying. The sons of Brant county farmers were many of them going into that region, and they would be among the first to protest against the abandonment at this time of a policy under which most of the roads in Older Ontario had been constructed. All were agreed, however, that sooner or later subventions to railroads must cease, that they had been too prodigally given in the past, that they must now be surrounded with more rigorous conditions to safeguard the public interest, and that, without a thorough understanding and should not be given by both the Dominion and the Provincial parliaments to the same enterprise.

A Bit of History.

Mr. Preston here mentioned the fact that in the year 1835 there were no railroads in Canada. In that year, encouraged by the success of the Liverpool-Manchester road, work was begun on the first Canadian line, which connected Laprairie, on the St. Lawrence, with St. John's, on the Richelieu, a distance of sixteen miles. For the first year it was operated as a horse railroad, but steam was then

introduced. The first road in Upper Canada, viz., that connecting Lewiston and Chippewa, thus continuing the old portage around Niagara Falls, was also a horse road, but was afterwards converted to steam and its termini made Niagara-on-the-Lake and Suspension Bridge. Ten years after 1836 found the original 16 miles of steam railroad holding the monopoly in Canada, but about 1850 the Grand Trunk, Great Western, Northern, and other roads, were begun, and from that time onward progress was rapid until at Confederation there were 2,278 miles of road, while on June 30, 1903, there were some 19,000 miles, of which 7,139 were in Ontario, and about 5,100 in the West.

In the earlier days, more especially, great extravagance had marked the construction of these roads, thus explaining in part the \$1,146,555,000 which had thus far been spent on railroad enterprises. Some of the lavishness was shown in an article which appeared in *The London (Eng.) Times* on April 15, 1875, in which it was declared that £30,000,000 had been spent upon the Grand Trunk. Of this, five-sixths was English money, and only £10,000,000 of it was yielding any return. Eight million sterling had gone into the Great Western, and only £3,000,000 of the amount was paying any interest, while the Canada Southern, the Midland, the Prescott & Ottawa, and other lines since amalgamated with the Grand Trunk, and built mainly with British capital, were financial wrecks. Such statements, taken in connection with the rebuilding and renewing which was constantly going on, showed how imperfect a basis of taxation, taken by itself, the money spent on a railroad afforded.

In view of the facts cited, it was not surprising to find our Canadian roads with a bonded debt of \$404,806,847, about \$22,000 per mile of line, necessitating an annual interest payment of probably \$1,100 per mile.

Public Aid Extended

The public aid extended had also been large. Up to June 30, 1902, the cash subsidies alone were as follows:

Governments:	
Dominion	\$178,022,186
Ontario	9,756,778
Quebec	17,684,806
New Brunswick	4,544,440
Nova Scotia	2,664,316
Manitoba	1,841,953
British Columbia	37,500
	<hr/>
	\$214,551,979
Municipalities:	
Ontario	\$12,307,664
Quebec	4,875,074
New Brunswick	361,500
Nova Scotia	485,539
Manitoba	593,600
British Columbia	37,500
Northwest Territories	25,000
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	\$18,687,897
Grand total	\$233,239,876

Ontario's Subsidies.

Coming to the Province of Ontario, to which he proposed to confine his attention, he found that up to and including 1903 cash subsidies aggregating \$7,337,835 had been voted, as also land grants to the extent of 7,200,000 acres, though of the latter but little had yet been earned. The cash subsidies were as follows:

Belleville & North Hastings	\$114,206.40
Brantford, Norfolk & Port Hurwell	129,353.60
Bruce Mines & Algoma	2,613.77
Canada Central	125,957.15
Canada Southern	244,559.20
Central Counties	68,747.26
Central Ontario	8,045.50
Cobourg, Peterboro & Mar-mora	18,740.00
Credit Valley	807,350.85
Canada-Atlantic	454,887.60
Erie & Huron	123,834.87
Grand Trunk, Georgian Bay & Lake Erie	231,446.00
Grand Junction	278,067.60
Grand Trunk, as assignee of the Magnetawan River Railway	10,000.00
Hamilton & Northwestern	727,697.20
Hamilton & Lake Erie	66,860.00
Irondale, Bancroft & Ottawa	44,026.56
James Bay Railway	890.30
Kingston & Pembroke	606,945.70
Lake Simcoe Junction	53,000.00
London, Huron & Bruce	268,839.60
Montreal & Ottawa	26,118.40

Midland	215,511.90
North Simcoe	144,241.60
Northern Extension	196,188.00
Ontario & Baluy River (Canada Northern)	112,831.50
Ontario, Belmont & North'n	6,251.93
Ottawa, Arnprior & Parry Sound	163,477.78
Peimhroke Southern	12,942.60
Prince Arthur's Landing	20,747.20
Prince Edward County	155,526.00
Port Dover & Lake Huron	126,000.00
Port Arthur, Duluth & Western (Can. Northern)	153,392.74
Parry Sound Colonization	65,500.05
Stratford & Lake Huron	55,000.00
Toronto, Grey & Bruce	461,364.40
Toronto & Nipissing	105,212.00
Tilisonburg, Lake Erie & Pacfic	12,455.07
Victoria	537,317.20
Wellington, Grey & Bruce	241,276.20
Whitby, Pt. Perry & Lind- say	129,790.40
Ottawa & New York (In- ternational Bridge)	4,897.32
Dominion Bridge Co. (In- terprovincial Bridge)	5,830.25
	<hr/>
	\$7,337,835.55

In addition there were cash subsidies not yet earned amounting to \$2,411,400, but some of these had been cancelled and others would not be earned. One fact he would impress upon the minds of the audience was that most of the roads in Older Ontario had been aided by provincial grants, the money for which had come mainly from the timber lands of New Ontario—the portion of the province which, at the present time, was now demanding railroad facilities. Having used their timber to help build our roads, it might seem a little unfair to the settlers of New Ontario to say that their lands and their timber should not now be available to open up that vast country for settlement.

They Cry For Them, and Must Have Them.

As showing the intensity of desire for railroad subsidies in localities which were likely to be benefited, Mr. Preston mentioned that the guarantee to the Canadian Northern, which was passed during the last session of the Legislative Assembly, had been endorsed through petition or deputation, by the city of Toronto, county of

York, towns of Orillia, Parry Sound, Copper Cliff and Sudbury, villages of Benverton, Dunchurch and Cashenford, and the townships of Feott, Georgina, Thorah, Mara, Rama, Orillia, N. Orillia, Morrison, Medora and Wood, Foley, McDougall, McKellar, Burpee, Hagerman, McKenzie, McKim and Balfour. Also, the boards of trade of Toronto, Orillia, Parry Sound, Sudbury and McKim.

Then, taking the guarantee of \$2,000,000 for the re-organization of the "Soo" industries, and the completion of the Algoma Central railroad, Mr. Preston read from The Toronto News a telegram describing the enthusiasm which prevailed at the "Soo" when the announcement was made that the Bill had been passed. It said:

"Many people cast aside ordinary affairs of life to mingle with the crowds waiting for the news, and the enthusiasm which burst out when word was received of the passing of the Bill was not equalled by any celebration during the Boer-British war. When the bulletins were posted, before 6 o'clock, the crowds cheered lustily, and before dispersing called for speeches from prominent townsmen. Men of both political parties mingled freely, and apparently all of one mind, and speeches to the crowds were made by both Conservatives and Liberals. Flags were raised on public buildings, all the whistles in the town were tooted, and crowds paraded the streets cheering. This impromptu celebration continued until long in the night, and many came over from the Michigan "Soo" to take part in it."

With such sentiment still extant, Mr. Preston asked if it was any wonder that the Legislative Assembly found it difficult to positively declare that under no circumstances would aid to railroads hereafter be granted.

Experience Elsewhere.

Mr. Preston quoted Prof. Hadley, commissioner of labor statistics for Connecticut, and instructor in political science Yale College, relative to the extensive subsidizing of American railroads, and quoted the same gentleman relative to European experience as follows:

"To build a system of railroads in-

involved a somewhat speculative expenditure of capital, on a scale sufficient to frighten conservative statesmen. Small states with good credit might undertake something of the kind; larger states, like France, Austria or Russia did not venture to do so. They adopted a policy of subsidies to encourage private companies, for without such subsidies much necessary work would not be done at all."

The Ontario railway commission of 1893, consisting of Mr. Cartwright, Mr. Saunders and the late Hon. Mr. Anglin, was also quoted:

"Few railroads in Canada pay even moderately reasonable dividends on the money invested in them, and such roads as are projected cannot in any case be built without government subsidies and local bonuses."

A Change in Policy.

Attention was next called to the fact that, save in most exceptional cases, Ontario was no longer granting cash subsidies to railroads, but was aiding them by means of grants of land—lands situated along the route of the proposed road—and under conditions of settlement by which these companies only obtained about as much land as the parties placed on lands by them would obtain from the government under the ordinary regulations as to settlement. Practically all these lands were absolutely worthless without a railroad, and the construction of a railroad through them not only promoted the settlement of the country, but gave value to the lands and timber retained by the government. It might fairly be said, therefore, that roads constructed in this way not only cost the province nothing, but were in reality revenue producers.

Recent Cash Subsidies.

As evidence that cash subsidies were out of vogue, the following statistics of such aid granted since the advent of the Hon. G. W. Ross to the Premiership were quoted:

1900.	
Toronto, Lindsay & Pembroke	\$108,000
Central Counties	8,400
Central Ontario	120,000
Town of Parry Sound to Canada Atlantic	15,000

1901.

Brucebridge & Trading Lake	48,000
Bruce Mines & Algoma	30,000
Bolton Creek & Lanark Mines	75,000
Norwood & Apley	75,000
Thunder Bay, Nipigon & St. Joe	60,000

1902

Pembroke Southern	45,000
Bay of Quinte	150,000
Irondale, E. Beckett & Ottawa	210,000
From Dhorwic to Lake Mibetakie	45,000
James Bay	95,000
Thunder Bay, Nipigon & St. Joe	\$ 20,000
Lindsay, Bobcaygeon & Pontypool	57,000
Bruce Mines & Algoma	12,000
Nipigon	42,000
Lake Superior, Long Lake & Albany	30,000
Huntsville & Lake of Bays	10,000
Grand Trunk Pacific	400,000

\$1,579,400

Of the above \$784,400 is not likely to be earned, so that the financial obligations incurred since the Ross government came into power, including the \$400,000 to the Grand Trunk Pacific granted last year, only amount to \$795,000. What is more, during the period named, the portion of the above subsidies which was earned was but \$238,460—surely an insignificant amount for a wealthy province like Ontario.

Stringent Conditions.

Mr. Preston next reviewed the conditions other than settlement now attached to railway aid, including control of rates by the government, prohibition of discrimination or amalgamation, carrying of road material for municipalities at cost, rolling stock and rails to be manufactured in Canada, prohibition of alien labor, securing of current rate of wages, running powers to other companies, etc. The government had also taken power in the case of the Manitoulin & North Shore road to acquire possession at the end of 15 years on payment of the cost of the road up to date. In all respects, the public interest was being protected to the fullest possible extent.

Government Ownership.

But there were those who said that where private capital was not prepared to take all the risk the government should own and control, if not operate, the roads. With this view he was prepared to sympathize, but it was apparent that there must be a limit to the application of this principle or else the settlement of the country would be greatly retarded. Ontario had already been a pathfinder for the other provinces in ownership of railways; no state in the Union, not even the national government, had invested in enterprises of the kind. The road from North Bay to a connection with the Grand Trunk Pacific, which was now being built by the government, promised to be a most valuable piece of work for the province, not only because of the rich character of the country through which it passed, but also because it was intended to prevent the deflection of a desirable trade to the sister province of Quebec. It was not possible, however, for the province to have many enterprises of this kind on hand at one time, without unduly exercising its borrowing powers and stretching the provincial expenditures to such a point that direct taxation would be unavoidable. So far, however, as could safely be done the present government could be counted upon to continue the work of government ownership of great railroad arteries in our north country.

RAILWAY TAXATION.

It was a popular thing to suggest that the railways of Ontario should be obliged to pay as high taxation as the railways paid in the United States, and that this additional taxation should be given to the municipalities to expend on public works, or to lessen the burdens now borne by farmers and others. Men generally received with plaudits any proposal to increase the taxes of the other fellow; never any suggestion to increase their own, as the proceedings before the Municipal Taxation committee of the Legislative Assembly abundantly demonstrated.

Nor was it going too far to say that our railroads, which had been liberally subsidized should pay as much taxation as the railroads across the line

paid, due allowance being made for any difference in conditions which might exist. An examination of this phase of the question was a more complicated one than most people imagined, and it was very noticeable that Mr. Smith, and those who acted with him, usually stated but one side of the case. They saw the large taxes paid in the United States by the railroads, and the comparatively small taxation paid here, and they saw nothing else.

To begin with, the railroads were usually suspected of charging their patrons all the traffic would bear. It was not unfair, then, to demand that they should pay in taxation all that the business in which they were engaged could reasonably bear. To go further than this would defeat the very object they had in view. For, example, in Wisconsin, during the Granger movement a law was passed containing onerous control over railroad rates. Mr. Hadley refers to the result as follows:

The reduction in charges caused a reduction in profits. This stopped the growth of railroads. The growth of the country was thereby brought almost to a standstill. The very interests which were most clamorous for the law in 1874 were the most clamorous for its repeal in 1876."

It had also to be borne in mind that railroads were not always money-makers. According to the United States Year Book, from 1874 to 1903, 897 roads of 112,376 miles were sold under foreclosure, and in these roads there were invested in stocks and bonds no less a sum than \$6,821,269,000. Nor had the experience in our own country been scarcely more satisfactory, in evidence of which we had the statement made by Mr. McMurchy, one of the corporation counsel, made before the Municipal Taxation committee to the following effect:

"There is hardly a railway in Ontario that is to-day paying a dollar to its original investors. Of the old railways it may be said, like the C. P. R., that the original stockholders are practically wiped out. The railways in Ontario that are paying anything to the investors are hard to find. The G. T. R. does not, and has not, for years, paid

a copper to its original investors, or a copper to its preference shareholders. Last year a dividend of 2 per cent. to its second preference shareholders was paid, and of 4 per cent. to its first preference shareholders."

What the Companies Now Pay.

The railway companies of Ontario were now paying about \$300,000 in municipal taxation, and in addition paid on a flat rate of \$5 per mile, some \$35,000 to the province. This contribution, which represented perhaps \$55 per mile, was small in comparison to what was paid in the United States, in fact altogether too small, and the Legislative Assembly had been practically unanimous in deciding that there should be a material increase.

United States Taxation.

The necessity for an increase had largely arisen out of a scrutiny of the contributions to the state taxgatherer made by American roads, which for the year ended June 30, 1902, were as follows :

	Per Mile of Line.
Alabama	\$ 187
Arkansas	171
California	247
Colorado	268
Connecticut	1,005
Delaware	301
Florida	132
Georgia	120
Idaho	244
Illinois	411
Indiana	477
Iowa	171
Kansas	251
Kentucky	296
Louisiana	247
Maine	198
Maryland	284
Massachusetts	1,401
Michigan	190
Minnesota	247
Mississippi	130
Missouri	203
Montana	129
Nebraska	204
Nevada	193
New Hampshire	324
New Jersey	770
New York	605
North Carolina	149
North Dakota	210

Ohio	354
Oregon	156
Pennsylvania	426
Rhode Island	888
South Dakota	96
Tennessee	240
Texas	110
Utah	206
Vermont	146
Virginia	204
Washington	215
West Virginia	218
Wyoming	141
Arizona	92
District of Columbia	557
Indian Territory	9
New Mexico	148
Oklahoma	139

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The large amounts derived from some of the States, such as Connecticut and Massachusetts, were easily explained by their limited mileage and very large population, as also by the existence of large centres of population, but the general average was sufficiently large, contrasted with what was received by such a fine province as Ontario, as to suggest enquiry as to the reasons for the discrepancy. This was the more necessary as the net earnings of the Canadian roads in 1902 were placed at \$1,395 per mile, and those of the United States roads at \$1,400 per mile. From this showing one might conclude there was equal ability to pay, but in the report of the Interstate Commerce commission it is stated that the net earnings of the United States roads as given above are arrived at after the interest on the bonded indebtedness and the large sums paid in taxation are deducted, while from the net earnings of the Canadian roads these deductions have yet to be made. Without these deductions, the showing as to earnings would appear to be as follows:

	Canadian Roads—	
	Gross Earnings	Net Earnings
1902	\$4,434	\$1,395
1903	5,055	1,487
United States Roads—		
1902	\$3,625	\$1,400
1903	9,382	2,921

Taking 1902 as the basis of calculation, and making in the case of the Canadian roads the necessary deductions for interest on bonded indebtedness and for taxation, the showing as to net earnings per mile would be as follows:

United States railways	\$1,400
Canadian railways	325

That is, the net earnings per mile of the United States railways are more than 4 1-3 times as great as the net earnings of the Canadian railways.

Then, as to the comparative density of traffic, Canadian railways, with 18,714 miles in operation, carried 1,105 passengers for each mile of track; United States railways, with 202,407 miles of track, carried 3,210 passengers for each mile of track; the United States railways carried nearly three times more passengers than the Canadian railways for every mile of track; The Canadian roads also carried 2,306 tons of freight per mile, and the United States roads 5,830 tons.

But smaller traffic per mile is not the only justification for lower taxation which our railways put up. They say, what is seemingly true, that they are called upon to make large contributions to the Dominion revenue in the shape of coal duties, being compelled to import their supply of fuel from the United States, and that there is no corresponding burden borne by the railways of the latter country. What this means is made clear in the following letter received from one who is in a position to speak authoritatively:

"I have made enquiries as to the amount of duty paid on coal imported and used in Ontario by the Grand Trunk Railway Company, the Canadian Pacific Railway Company and the Canada Southern Railway Company, and the figures are as follows:

Grand Trunk, for the year 1903, paid duty of \$663,000,000.

Canadian Pacific for the year 1903, paid duty of \$565,973.20.

Canada Southern, for the year 1903, paid duty of \$142,353.88.

The track mileage of the G. T. R. in the Province of Ontario is 2,655, so this payment practically amounts to a coal tax of \$250 a mile.

The track mileage of the C. P. R. in the Province of Ontario is 2,404, so this payment practically amounts to a coal tax of \$235 a mile.

The track mileage of the C. S. R. in the Province of Ontario is 382, so this payment practically amounts to a coal tax of \$372 a mile.

From further enquiries made I am informed that there is no corresponding tax paid by United States railways on the importation of coal from Canada; in fact, that no appreciable quantity of coal is so imported by the U. S. railroads, although at one time when the duty was removed the U. S. roads did to some extent take advantage of Canadian coal."

If the representations made in the above letter be true, the Grand Trunk is handicapped in its ability to pay provincial or municipal taxes as compared with American roads, to the extent of \$250 a mile, the C. P. R. to the extent of \$235 a mile, and the Canada Southern to the extent of \$372 a mile. Add these figures to the amounts they now contribute, or will be called upon to contribute under the legislation of last session, and it will be seen that our roads are paying very much more than Michigan roads, and very much more than the average throughout the United States, which is \$274.

Ability to Pay.

One more argument as to the matter of ability to pay, and it is put by the counsel for the railroads in the following language:

"The government reports show that if interest had been paid upon the bonded indebtedness and preference capital, there would not have remained any surplus with which to pay any dividend or interest upon the ordinary share capital; but on the contrary, there would have been a deficit: while the United States roads, after paying interest upon 95.11 per cent. of their bonded debt, which amounts to \$6,109,981,669, at varying rates, averaging close upon 6 per cent., had, at \$1,400 per mile for over 202,471 miles, \$283,459,400 to distribute among their shareholders, or to carry forward to reserve or for other purposes, being at the rate of nearly 4 3-4 per cent. upon \$6,024,201,295, their entire share capital."

Brant County an Illustration.

That much of the taxation now paid is absurdly low is easily shown by the illustration afforded by Brant county in the taxation paid by the Grand Trunk Company to our municipalities, the figures being as follows:

	Assess- ment	Taxes paid
Brantford township	\$10,000	\$ 71.62
Burford township	3,270	33.03
South Dumfries tp.	13,250	84.16
Onondaga tp.	3,330	30.31
Brantford city	85,800	1647.84
Paris town	22,090	409.86
	<u>\$137,740</u>	<u>2,276.82</u>

The total mileage of the G. T. R., in the county is approximately as follows:

	Miles
Brantford to Harrisburg	7
Paris to Harrisburg	10
Brantford to New Durham	18
Paris to Brantford	7
Brantford to Middleport	10
Brantford city, say	4
	<u>56</u>

The average taxation per mile within the county is consequently only \$39.50, whereas the G. T. R. average throughout the province is \$50, and the average in the townships is but \$4 per mile, whereas the general average is \$6. Some other counties probably make no better showing, a fact which would seem to hint that the assessors are not alive to their opportunities.

Illustrations of the Present System.

As illustrating the present system of taxation, it may be stated that the Grand Trunk Railway has about 2,650 miles of railway in Ontario, of which, roughly, 150 miles are in cities, towns and villages, and 2,500 in townships. The municipal taxes all told are \$120,359, and the provincial tax, at \$5 per mile, \$13,265—total taxes, \$133,624. In Toronto, Hamilton, London, Stratford and Windsor the taxes paid are \$68,086, while in the other cities, towns and townships the taxes are \$37,273.

The taxes paid are at \$6.00 per mile, \$15,000—total municipal taxes \$120,359. That is, the cities, towns and villages receive to-

gether \$105,359 for 150 miles or less, or at the rate of \$702 per mile; and the townships, for the 2,500 miles, \$15,000, that is \$6 per mile.

Do the Railways Pay as Much as the Farmer?

It is contended, very properly, that the railways in the municipalities should pay as much taxation as the farmers pay. By some it is contended that they do not, by the companies that they do, and this despite the fact that from some of the largest municipal expenditures, such as those for education and the improvement of highways, they receive little or no benefit. From their point of view the argument is as follows:

"Taking the taxes paid by railways in the townships at \$6 per mile, then since there are eight acres to the mile, this means a tax of 75c per acre, which, at the rate of 10 mills on the dollar, not far from the average (according to the report of the Bureau of Industries, 1902, part 3, Municipal Statistics, page 121), implies an assessment of \$75 per acre, surely a much higher average assessment than that of the surrounding farm lands; this is clear from the fact that the 23,636,178 assessed acres of township lands, less 52,000 acres of lands occupied by the railways, are assessed at \$430,006,064, or an average of less than \$19 per acre, which at a similar rate of 10 mills on the dollar means a tax of 19c per farm acre, against 75c per acre of railway lands.

What Has Been, and What is to Be.

Mr. Preston next took up the question of what has been done in the past relative to the taxation of railroads, and what is now in contemplation. Whatever ground for complaint there might be that Ontario was not taking sufficient moneys from these corporations, this was the first of the provinces to levy any provincial tax. This had been done in 1899, when it became apparent that if the government was to continue the system of aiding the municipalities by grants for education, agriculture, maintenance of public institutions, improvement of highways, etc., new sources of income would have to be opened up. Hence

the Supplementary Revenues act, which levied tribute for provincial purposes upon a number of corporations, including the railway companies, who were called upon to pay \$5 per mile. Here was a source of revenue which could, and would, be gradually increased as the necessities of the province might require. Last session, largely as a result of the agitation of Mr. Pettypiece, and the information brought out by him, it was decided to place additional taxation at once upon the railroad companies. The method in which that was to be done was not the work of the government merely, but was first endorsed by the special committee on Municipal Taxation, of which Mr. Whitney, Mr. Foy, and other leading Conservatives were members, and of which the Attorney-General was chairman. In fact, up to the closing days of the session, when the chance seemed to present itself to the Opposition of making some political capital, there was not only no hostile criticism of the plan for taxing corporations which the House afterwards adopted, but tacit or expressed approval from members of both parties. The recom-

mendation of the Municipal Taxation committee had been that a commission for the taxation of railroad and kindred corporations was not necessary. It had provided machinery for reaching telegraph and telephone companies, to which he would refer later, and it had left the government to reach the railway companies by the old method. The new scale for the taxation of railways was as follows, and, as the Premier figured it out, it meant that these corporations would pay some 3 per cent. interest on the provincial subsidies which had been voted to them:

Organized districts—	
Single track, per mile	\$30
Double track, each additional	10
Unorganized districts—	
Single track, per mile	\$20
Double track, each additional	5
Under 100 miles, per mile	15
Double track, each additional	5
Under this plan	

The Railways Would Pay Increased Taxation.
as follows:

RAILWAY	MILES	OLD RATE	NEW BASIS
Bay of Quinte Railway.....	71	\$356.12	\$ 1,065
Thousand Islands Railway.....	6	31.85	90
Kingston and Pembroke	103	615.50	3,090
Brockville, Westport & Sault Ste Marie.....	45	225.00	675
Central Ontario	135	673.00	24,050
Canada Southern	382	1,910.00	11,460
Ottawa & New York.....	55	275.00	825
Niagara, St. Catharines & Toronto.....	19	95.00	285
Tilsonburg, Lake Erie & Detroit.....	20	98.75	300
Toronto, Hamilton & Buffalo	84	418.35	1,260
Lake Erie & Detroit River.....	222	1,111.75	6,660
Canadian Northern.....	353	1,767.50	7,060
Grand Trunk (single)	2,507	13,275.95	75,210
Grand Trunk (for double).....	481	4,810
Grand Trunk (unorganized).....	148	2,960
Canadian Pacific	1,215	12,020.50	36,450
Canadian Pacific (unorganized).....	1,189	23,780
Canada Atlantic	250	1,947.50	7,500
Canada Atlantic (unorganized).....	140	2,800
Nosbonsing & Nipissing.....	5	27.50	75
		\$34,749.07	\$190,405

The municipal taxation would remain practically as at present, save that railway property on highways would hereafter be assessable. What this would mean would be made apparent from the following letter which

he had received from Mr. Hutton, assessment commissioner of the city of Hamilton:

"In reply to your letter re the assessment of railway lands, it does not appear to me that there will be any-

thing additional for township municipalities to assess. Municipalities having a railroad running along any street will, of course, under sec C, of 41, get some additions, probably \$10,000 per mile, as will also municipalities having siding and terminal freight yards, worth from \$6,000 to \$10,000 per mile, according to construction."

The total increase in provincial taxation was \$155,656, or about \$22 per mile. This would still leave the taxation paid by Canadian companies considerably less than that paid by the American companies, but it was a subject for careful investigation to see if, under the differing conditions which he had already described, it was a fair advance, and as much as could reasonably be taken at this time. In any event, it showed the disposition of the government to tax the companies more fully, and another step forward would be taken as soon as more complete information showed such action to be justifiable.

Telegraph and Telephone Companies.

But the railway companies were not the only corporations which would be reached by the legislation of last session. The telegraph and telephone companies, which now paid \$1,292 and \$6,375, respectively, under the Supplementary Revenues act to the province, and would continue to pay those sums, would pay large additional taxation, of which the municipalities would be the sole beneficiaries. Both classes of business had been indifferently assessed heretofore by the rural municipalities, and would now pay in cities, towns, and villages, including police villages, on 60 per cent. of their gross income and a business tax on the value of the buildings and exchange, and in townships as follows: Telephone companies, \$135 per mile for one wire, and \$7.50 for each additional wire; telegraph companies, \$40 per mile for one wire, and \$5 for each additional wire. Branch lines of 25 miles or under, to be exempt. What this change meant in the cities and towns would be seen from the appended table, which showed the present assessment, and what the assessed value would be at 60 per cent. of the gross receipts, so far as the

Bell Telephone Company is concerned:

	60 p.c. Gross Present	
	Revenue	Assess.
Barrie	\$ 4,114	\$ 2,515
Belleville	6,670	3,300
Berlin	6,528	14,000
Brantford	12,970	5,700
Chatham	9,335	5,000
Gait	7,247	4,900
Guelph	10,657	4,500
Ingersoll	4,536	2,500
Kingston	12,741	16,575
Niagara Falls	6,567	2,000
Orillia	4,090	1,600
Owen Sound	6,276	2,125
Peterboro	11,016	4,000
Sarnia	7,484	3,000
Sault Ste. Marie	6,636	6,000
Stratford	7,387	8,300
St. Catharines	12,255	10,000
St. Thomas	8,028	1,000
Windsor	13,044	4,500
Waterloo	2,653	1,000
Warton	1,971	1,500
Woodstock	6,616	8,000

\$168,821 \$112,015

Increase in 22 places of nearly \$60,000 of assessment, exclusive of business tax on buildings and exchanges.

There would be corresponding increases in the townships. A list of 12 townships which he had in his hand showing an average advance of \$1,369 of assessed value per township.

More interesting, perhaps, would be to see how the new schedule would work out in Brant county. Now the entire taxation outside of the city of Brantford was only \$5.24, of which Burford township got \$2 and Brantford township \$3.24. Under the new bill the village of Burford would be entitled to tax 60 per cent. of a gross revenue which amounted last year to \$459, and the town of Paris 60 per cent. of a gross revenue of \$2,150, as well as to place a business tax on any real property which the Bell Company might have. In the townships the assessment would be as follows:

South Dumfries	\$2,975
Brantford	3,685
Oakland	205
Burford	1,420
	<hr/>
	\$8,285

At 12 mills on the dollar the townships would thus get about \$100, where they now get \$5.24. This might not be all they ought to get, but was certainly no mean advance, and it was one for which the ratepayers ought to give the legislators credit. Thus far, however, the critics of the government had failed to inform the public that any such advances were being made.

Distribution of Taxation.

Much was being said relative to the distribution of the taxation derived from the railroad companies, and it was certainly very "catchy" to suggest that these corporations should pay after some such style as they were made to pay across the line, and that the municipal taxpayer should get corresponding relief. In his first bill Mr. Pettypiece had suggested that 85 per cent. of the taxation should go to the municipalities, and 15 per cent. to the government. As things now stood the municipalities, would continue to receive \$300,000 or more of the \$490,000 odd which these corporations would be called upon to pay. In determining whether or not they were entitled to a larger proportion, it was necessary to take into account the different methods of taxation prevailing in Ontario as compared with those of the States. For example, the different States taxed the municipalities heavily for education, public institutions, agriculture, hospitals and charities, etc., while in this province not only was no such levy made, but the province assumed the greater part of all these charges out of the provincial revenues. In other words, it gave to the municipalities that which the state governments took from them. To illustrate, the estimates of the province for 1904 contained the following items:

Education	\$989,154
Public Institution Maintenance	941,642
Agriculture	237,496
Hospitals and Charities	231,126
	<hr/>
	\$2,500,418

Much of this fund went directly to the municipalities, and was distributed by them in the maintenance of schools, public libraries, agricultural societies, farmers' institutes, hospitals, charities,

etc., and to the list had now been added a generous appropriation toward free text-books in the rural schools. There were more general charges of a like character, such as the maintenance of asylums and universities, agricultural colleges, dairy schools, etc., which were of a corresponding character, so far as the direct benefit to the people was concerned, but the expenditures for which could most conveniently be made by the provincial government. It was true, as had been stated, Ontario occupied a different position from that of the various States, in that it had control of great timber resources, but it was also true that there was a demand that these should be used more sparingly, and that they were no longer adequate, taken in conjunction with the ordinary sources of revenue, to meet the ever-increasing demands being made upon the government in consequence of the continued growth of the province. If the government could not rely upon the Supplementary Revenues act, of which railroad taxation formed an important part, to meet charges such as those to which he had referred, it was apparent that the present system of surplus distribution among the municipalities could not be maintained.

Having shown in detail what the county of Brant was receiving from the Ontario government for what would be the subject of municipal taxation in Michigan or in any other state, Mr. Preston quoted Washington statistics to show what the different States of the Union levied upon the municipalities for education alone.

The following is a summary:

North Atlantic division	\$12,831,775
South Atlantic division	5,148,670
South Central division	6,398,383
North Central division	8,374,009
Western Central division	5,577,752
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	\$38,330,589

Here we had an average of nearly \$1,000,000 per state taken from the municipalities for the support of education, while Ontario was giving to the municipalities about an equal amount. Among the larger state levies for education were the following:

New York	\$3,871,443
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New Jersey	2,518,887
Pennsylvania	5,172,802
Texas	2,199,357
Ohio	1,817,768
Indiana	1,567,115
Michigan	1,102,616
California	2,997,158

He had before him a paper showing in detail the levy being made upon the municipalities of Michigan this year for state purposes.

The levy is the largest ever made in the state it being \$4,003,024.62, as compared with \$3,835,844.97 in 1901, and \$3,725,875.01 in 1899. The apportionment contained about 50 different items. They were as follows:

University of Michigan	\$807,525.00
Agricultural College	100,000.00
State Normal school	110,000.00
Central Normal school	56,550.00
Northern Normal school	51,541.50
Western Normal school	30,001.00
Michigan College of Mines	116,450.00
State Library	19,000.00
Soldiers' Home	143,375.00
Home for Feeble Minded and Epileptic	151,600.00
State Public school	52,500.00
School for the Deaf	105,499.76
School for the Blind	48,400.00
Employment Institution for the Blind	85,001.00
Michigan Insane Asylum	71,587.00
Eastern Insane Asylum	34,455.00
Northern Insane Asylum	52,610.00
Upper Peninsula Hospital for the Insane	78,775.00
State Asylum	13,902.00
State Prison Improvements	173,435.00
State Reformatory at Iona	9,100.00
House of Correction and Branch Prison for the U. P.	7,430.00
Industrial School for Boys	90,350.00
Industrial Home for Girls	35,100.00
State Fish Commission	43,950.00
Compiling records in adjutant-general's office	1,250.00
State Dairy and Food Commissioner	25,000.00
State Dairymen's association	300.00
State Library Commissioners	800.00
National Guard	121,049.10
State Naval Brigade	12,104.91

State Board of Health	6,500.00
State Weather Service	1,000.00
State Agricultural society	
State Horticultural Society	1,500.00
State Forest Reserve	7,500.00
State Geological Survey	2,250.00
Mackinac Island Park	5,000.00
State Pioneer and Historical society	3,370.00
Andersonville monument	
Monument at Monroe, Mich.	5,000.00
Compiling soldiers and sailors' records	22,350.00
St. Louis Fair commission	50,000.00
State Highway Department	5,000.00
Prisons—Current expenses	95,000.00
Asylums—Current expenses	655,998.40
General purposes.	800,000.00

Total \$4,003,024.82

It was not at all clear, therefore, that the taxpayer in Ontario was worse off than the taxpayer in Michigan; the very contrary was the case. What was more, there were some items of taxation in Michigan which the Ontario farmer knew nothing about, and from Michigan tax schedules which he held he read the following:

"All household furniture above the value of \$500."

All gold and silver plate, watches, diamonds and jewelry.

All domestic animals not exempt.

Mules, horses and cattle, under 1 year old, and sheep and swine under 6 months, are exempt.

All carriages, sleighs and other vehicles kept for pleasure or hire.

All mechanical and agricultural implements and tools.

All machinery not affixed to real property.

All hay, grain and other cereals and products.

Indiana was another state which had been held up as a model for Ontario to copy, but in 1900 he found that the state levied upon the different county municipalities as follows:

State tax, general fund	\$1,242,890
State benevolent institution fund	832,271
State debt sinking fund	379,412
State school fund	1,515,130
State educational institution fund	210,725
	<u>\$2,737,698</u>

In other words, for services very similar to those for which the government of Ontario was now contributing two and a half millions the state of Indiana was taking from the municipalities a sum in excess of that figure.

In concluding this branch of the subject, Mr. Preston said he was not prepared to say the municipalities should receive no share of the additional taxation, but that so long as the railroads paid all they could afford to pay, it seemingly made no difference whether the moneys went to the municipalities direct or to the government, because the municipalities would, in any event, receive the greater part of them.

THE PETTYPIECE BILL.

Mr. Preston regretted that the limited time remaining at his disposal made it impossible for him to deal with the Pettypiece Bill to the extent which he had intended and which its importance deserved. The member for East Lambton deserved much credit for the investigation of the question of railroad taxation which he had made and for what had already been accomplished. As for the details of the measure, it was not a question of first importance whether we got the additional taxation from these companies by way of a commission or by a continuation of the existing system, so long as we got it, and for reasons which he (Preston) had set out there was room for argument how this taxation should be distributed. He would content himself with saying that Mr. Pettypiece had received no support whatever from the Conservative members of the Legislature until the dying days of the session, when these gentlemen proposed to undo all that had already been done in framing taxation measures, and which had received their approval, and substitute the Pettypiece Bill *holus-bolus* without pausing to consider what the effect might be. Instead of doing this, the House had adopted the report of the special committee, which took from the Bill the provision for the taxation of such car-owning companies as those of Armour and Swift, which were not now reached, and also recommended the appointment of a permanent railroad commission, to which many questions

affecting the relations of the railways to the public, including that of taxation, might be referred. Meanwhile the committee suggested, and the suggestion had been acted upon that a commission be appointed to collect information on the various phases of railway legislation in force in the United States, "in order that the Legislature may be informed whether any other basis than that which now prevails in the province of Ontario might be more equitable, so far as the railways are concerned, and might not yield a more generous revenue to the province."

For his own part, he (Preston) felt that, with the step forward taken during the session of the Legislature just closed, we could afford a much closer examination of the entire question of railroad taxation than had yet been given before coming to a final decision as to what ought to be done.

Need of Further Enquiry.

He was encouraged in this belief by the fact that in the last report of the Interstate Commerce commission of the United States attention is called to the varying methods of assessing railroad property in vogue in the different states, and the need of some authoritative decision as to how such property should be valued. On this point the commissioners say:

"Among the subjects which deserve the attention of congress is the need of a trustworthy valuation of railway property. . . . Closely connected with the question of reasonable railway rates stands the question of reasonable railway valuation. . . . A large number of questions incident to the valuation of railway properties suggest themselves in addition to those which have been mentioned. Sufficient has been said to indicate the importance of an authoritative determination of railway values. It is respectfully recommended that congress take this matter under advisement with a view to such legislation as may be deemed appropriate.

In 1890 it was commonly said that the tendency in railway taxation was toward the substitution of taxes on gross or net earnings, or on dividends or some other feature of special taxation, for taxation based on valuation.

A review of the tax laws in 1902 does not warrant such a statement at the present time. There seems to be no tendency during the past 12 years toward the abandonment of the theory of the general property tax, so far as railroads are concerned. The changes which have taken place in the laws of taxation since 1890 refer rather to methods of valuation and to the machinery of administration; they also indicate many experiments in the apportionment of the proceeds of railway taxation between the states and minor civil divisions. There is some slight indication of a tendency toward what is termed the segregation of railway

taxation, by which this species of property is made the basis of contribution for state expenditures; but one cannot say that this tendency is clearly expressed in the statutes thus far enacted."

Having called attention to the fact that across the line there was some trend of thought in the direction of applying the entire taxation of railroads to state purposes, Mr. Preston said that if in the United States, after years of experience, they were not sure of their ground, we could afford to wait further information before taking the next step.





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