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HON. A. G. BLAIR'S SPEECH

ON THE INTERCOLONIAL RAILWAY—FROM AN EXPENSE IT HAS BEEN TURNED TO A PROFIT.

(St. John Telegraph.)

What, I want to ask, have been the real causes of the difference in the spirit and disposition of parliament towards the Intercolonial railway as compared with our canals? I do not think it would be as easy to say what the causes of this difference are as it would be to say what they are not. It is clearly not the case that parliament is unwilling to expend money for a purpose which appeals to its sympathies or which appeals to its consideration. Evidence that is not so influenced is abundantly shown by the readiness with which it has always voted money in aid of the canal system of the country. There are some reasons which I think do exist in the minds of the critics of the Intercolonial railway. I think, in a measure, at all events, this distinction is attributable to the fact that the road runs through a less important portion of this dominion than that traversed by the canals, less populous, less influential, and I think, further, that it is attributable, in a measure, to the fact that the people do not know the importance of the Intercolonial railway. They do not know the extent to which it contributes to the business prosperity of the country, and even those parts of Canada which are interested in the canals, and which are ever ready to vote millions in order to extend, enlarge and improve the canals, know nothing at all or very little, in regard to the business importance of the Intercolonial railway and the extent to which that railway has added to the business of the older provinces and has increased the trade.

BETWEEN THE EAST AND WEST.

I think that if hon. gentlemen, when votes are invited in aid of this railway, were to stop to consider the conditions under which it became the property of the government of the country, if they were to stop to consider the effect of the construction of the railway upon the many business interests of the maritime provinces, if they were to stop to consider how important a contribution the Intercolonial railway has made to the improvement of business and the extension of prosperity in the upper provinces, they would not be unwilling to treat that railway system with the same consideration that they extend to that which they are more familiar with, and which passes through their own section of the country. I said a moment ago that if hon. gentlemen would stop to reflect upon the conditions on which this railway came to be the property of the country, came to be a government railway, their minds would be influenced by that, and by the fact that when the Intercolonial railway was built, it was built as one of the factors, and as one of the terms of the confederation between the provinces, and that if it had not been so agreed upon, if it had not been one of the terms

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of confederation there would have been no confederation. In other words, the people of the maritime provinces, assuming to a greater degree, perhaps, than they were justified in doing, that there would be advantages derived from a railway connection by railway between these provinces and the provinces of Quebec and Ontario; imagining that they would reap material business advantages from that railway connection, they made it one of the conditions upon which they agreed to come into the union, and by coming into the union, they enabled the older provinces of Canada to escape from conditions which at that time were exceedingly unfavorable to their further development. As one of the terms of that compact, this road became a government railway, and it is entitled to ask the people of Canada to maintain it and to operate it—even though it should be operated at a loss—to maintain it and operate it as a government institution, as well as the means of the people of the country would enable it to be maintained.

Mr. Haggart—Did the minister say that these provinces entered into confederation on terms unfavorable to their future development?

Hon. Mr. Blair—No. I made the statement that the people of the maritime provinces insisted upon the confederation assuming the construction and operation of the Intercolonial railway as one of the terms of union. I believe they expected better results would accrue to them than did actually follow from the operation of that road. They expected they would find a ready market in this portion of Canada for the products of the maritime provinces, but what happened was that it enabled the perhaps more successful manufacturers of Quebec and Ontario to displace, to some extent, the products of the maritime provinces. It opened up a new field for the extension of the business of Ontario and Quebec, and it placed the maritime manufacturers at a disadvantage, which they did not anticipate. I have never suggested, nor do I suggest now, that by reason of the operation of that railway, advantages have not accrued to the maritime provinces. But certainly these advantages were not to the same extent which the western provinces derived. I appeal to the members of the committee to consider the statement I am about to present, with reference to the past operation of the road and to its present prospects. I appeal to the committee to regard this question in no narrow spirit. I appeal to the house to remember, that even though this road should be main-

tained at an annual loss, it is for the people of Canada to furnish such means as may be required to fully equip that road, and to place it in the position of being a first-class railway. The country cannot afford to allow that railway to become inferior in any particular. The prestige and the good name of Canada are involved in making the Intercolonial railway a railway which will compare favorably with any railway in the dominion. I propose to give the house a statement of the operations of the railway extending over a period of some years.

Mr. H. A. Powell (Westmorland)—I do not wish to interrupt the minister, but I would like to know from him which portions of the road are paying and which are not? It might show that the maritime provinces are not responsible for the deficit.

Hon. Mr. Blair—I will make a reference to that later. At present I propose to ask the committee to glance at what has been the past history of the Intercolonial Railway, as respects its operating expenses and its annual showing from time to time. You are aware, Mr. Chairman (Mr. Ellis), that there was a time in the history of the Intercolonial Railway, when the difference between the earnings of the road and the expenditure for working expenses—not to speak of the capital outlay—was something in the neighborhood of half a million dollars a year, taking one year with another. Some years it was above that sum and some years it fell below. That state of things continued until the year 1880, and then there was a new epoch in the history of that railway. Prior to 1880, there had always been these large deficits, but in that year there was a change for the better. From 1880, for a period of four years, there was a slight surplus each year, but in order that I may put the case continuously, let me state what the condition was for a few years prior to that. From 1876-7 to 1879-80 inclusive, a period of four years, the deficits on the Intercolonial had averaged \$420,000 a year. From 1880-1 to 1883-4 inclusive, a period of four years, the surplus per year averaged \$17,000, a difference as you will observe of a very considerable amount. That I attribute, in a considerable measure, to the stoppage of large expenditures in maintenance, repairs and equipments. I will make clear to the committee later, by a reference to the items in detail, what I mean by that.

ANOTHER DEFICIT PERIOD.

From 1884-5 to 1891-2, a period of eight years, again the deficits appear, and they average in round figures, \$360,000 a year;

some years more and some years less. For these eight years there was a total deficit of nearly two and a half million dollars. Then another change occurred; another epoch arrived, and this was an important epoch so far as the comparison between the deficits and the surpluses are concerned. In 1892-3 there was a surplus of \$20,000; in 1893-4, a surplus of \$5,338; and in 1894-5, a surplus of \$3,815. You will observe that the deficits for the three years previous to 1892-3 were on an average \$360,000 a year, and it was made up of the figures for each year as follows:

1889-90.....	\$550,000
1890-1.....	680,000
1891-2.....	490,000

In these three years you will see that there was a deficit of half a million of money a year. Then something occurred. I have stated to you what that was. In 1892-3 there was a surplus of \$20,000, which was followed by a continuation of surpluses for two years more—one of \$5,800 and one of \$3,800. Naturally an inquiring mind would like to know what occurred to produce this change. Did the business increase? Was there any marked growth of traffic? How was it that for those years preceding there were what would be described by some as an enormous deficit each year, and that there followed even these small surpluses showing a difference of between \$500,000 and \$600,000 in each year's results as between 1889-92 and 1892-5? Was it due as in 1881-2-3-4, to an increase in the earnings? No. There had been an increase mileage, and an increase of something over \$600,000 in the actual earnings of the road, in the period of the previous deficits. Was there a corresponding or greater increase in the earnings between the three years of deficits which I have named and the three years of surpluses which I have named? No. Let me tell you what the result was by the actual figures. The gross earnings were as follows:

1889-90.....	\$3,012,000
1890-1.....	2,987,000
1891-2.....	2,945,000

Mark you, those were the years of deficits of over \$500,000 a year. How does the business compare with that of the following three years of surpluses? In those years the gross earnings were:

1892-3.....	\$3,065,000
1893-4.....	2,987,000
1894-5.....	2,940,000

There was altogether no greater increase in the gross earnings in the three years of surpluses which I have mentioned over the three years in which those large deficits occurred than \$20,000 per year, or, in the whole, \$60,000. Now, this naturally suggests the inquiry, how comes it that such a result was brought about? In the first full year in which my honorable friend administered the department he was able to show a surplus of \$20,000. In the year preceding the advent of the honorable gentleman and the year of his advent the deficits were \$680,000 and \$490,000 respectively; and one would be, as I say, naturally prompted to ascertain, if possible, by close and careful investigation, what were the processes, what was the sleight-of-hand employed by my honorable friend to enable him to produce a surplus with practically the same amount of business that had produced a deficit of over \$500,000 a year for the three years preceding? Well, I have looked into this subject, and I think I can furnish to the committee a correct and complete explanation. I am in a position to say, as you have seen, that it was not due to an increase in the business of the road. There was at all events no stimulus given to the traffic. I think I shall be able to satisfy the committee before I get through that it was not due to any remarkable successful railway administration upon the part of my honorable friend—and I am not going to depreciate in any degree his qualifications as a railway administrator. If the honorable gentleman thinks this result is a matter of credit, I am not sure whether the credit is attributable to my honorable friend or not. I am not aware to what extent, if at all, it is attributable to the gentleman who was acting minister of railways for some months prior to my honorable friend's accession to office. I believe that during the year prior to 1892, my honorable friend was minister of rail-

ways for half the year, and Sir Mackenzie Bowell for the other half. In this respect I feel that I am perhaps deficient in information. I am not able to say whether it was through the action of my honorable friend or through the action of Sir Mackenzie Bowell that this transformation took place. I do know, however, that Sir Mackenzie went down to Moncton during the time he was acting minister of railways—at least, I am so informed—and that while there he took very active steps to bring this system of annual deficits on the Intercolonial Railway to an end. Now, that was a very laudable purpose, and I am not going to criticise him for it; but I think it is just possible—and I shall refer the committee to the facts which I have gathered on the subject and invite them to form their own judgment as to whether it is a subject for congratulation or not—I think it is just possible that there may have been a change brought about which was very much to the disadvantage of the Intercolonial as a railway and was not at all a startling exhibition of railway administration. The acting minister of railways went down to Moncton, not, as I gather from the results, to study the railway question at headquarters, but for the purpose of ascertaining why this system of deficits continued, and what could be done, consistent with the public interests and with the maintenance and proper business management of the Intercolonial Railway, to bring these deficits to an end; but he went down there with the determination to cut off the deficit at all hazards and by any means, and produce, if possible, a surplus where previously only deficits had occurred. What did he do? He plied his hatchet, he cut and slashed, he reduced the expenditure here and he reduced it there, he reduced the number of trains, he diminished the staff of employes and workmen in the shops, and cut off and curtailed in every possible direction. If I am correctly informed, he called in the leading men at the head of the different departments and said that the government had determined that the half million dollars of deficit should cease, and that they should make such reductions in the expenditure of their several departments as would bring about that result.

STARVING THE ROAD

He did not go over the road to see in what condition it was. He did not go over it to see whether or not the amounts which had been expended from year to year on maintenance and repairs were larger than the needs of the road required. He did not go over the rolling stock or inquire into the business needs to ascertain whether more trains were operated and more expenditure incurred in the way of stimulating business than the actual business would warrant. He did not do any of these things, but simply gave out his order that the deficit should be cut down, and cut down it was. And I know how the newspapers of the time, which were supporting the government of the day, gave no end of credit to the late administration for having achieved what they described as a splendid result—for having shown a surplus, though a small one, where for years there had been nothing but enormous deficits.

But, it depends on the methods pursued to bring about that result, whether it conferred a legitimate benefit on the country or whether an injury was created—whether the road was being injured or benefitted. I have the facts before me, and propose to show that no one who had any real interest in the proper maintenance and operation of that great railway would have taken the course which was then followed. It was a course most disastrous and injurious to the proper maintenance of the Intercolonial Railway. There was none too much money being expended in order to keep that road in proper shape if it was intended—I will not say to be a credit to Canada—but to be maintained and operated as it should be. But those who were controlling the operating of that road got their instructions to cut down the expenditure at all hazards, and I propose to show how this \$500,000 of change in the expenditure of the previous years was brought about, and I can give you the precise figures,

from which you can draw your own conclusions:

Take 1891-2 as the last year showing this deficit of \$491,000, and take one of the following years. In 1891-2, there was expended upon steel rails laid down on the Intercolonial Railway, \$150,000; the next year the expenditure upon these rails amounted to \$75,000. So that, of the half-million dollars of saving, \$75,000 was made up by putting down less rails than in the year before.

Mr. Powell—More rails were put down that following year than has been put down any year since.

Hon. Mr. Blair—My honorable friend smiles as if he had accomplished some great feat. I am prepared for my honorable friend's criticism. I am prepared to put the operations of the Intercolonial Railway every month of every year from 1896 alongside the operations of the previous years. Every item of expenditure can be put side by side, and we will see what the results are, and I have a statement before me covering all that ground. If the honorable gentleman will have the patience to allow me to complete my statement, he can then make any comment he pleases.

What has been expended since does not affect the argument or the case I am presenting to the committee in the slightest degree. I am now explaining how this wiping out of the deficits which had existed for years was effected, and I am pointing out that it was not brought about by any legitimate means, but by reductions in the very classes of expenditure which were necessary to the proper maintenance and equipment of the railway.

WHERE THE AXE WAS APPLIED.

That is the point I am trying to make. The ties furnished in 1891-2 cost \$113,000; in 1892-3 they cost \$84,500, or \$28,500 reduction in that particular outlay. On bridges and culverts in 1891-92, we expended \$169,500, and in 1892-93, \$123,500, or \$46,000 less outlay. On building platforms, in 1891-92, we spent \$88,300, and in 1892-93, \$67,000, or \$20,000 less expenditure. Repairs to engines, \$293,000, in 1891-92, and \$234,000 in 1892-93, or \$59,000 less outlay. Repairs to passenger cars, \$90,000 in 1891-92, and \$83,000 in 1892-93, or \$7,000 less expended. Postal and express cars, \$3,000 of a difference. Laborers and trackmen in keeping up track, \$73,000 difference between the two years. Repairs to other cars, \$9000 differences—making in all \$300,000 out of these differences I have pointed out. The balance, \$100,000 was made up in the reduction of trains, the reduction in the number of train hands, and engine drivers, smaller additions to the stores, and reductions in the men employed on the line.

I say there was also \$100,000 less expended by reason of the trains cut off in all directions, as everybody knows, in the maritime provinces, together with the train hands, and so on. This makes a total of \$400,000.

Mr. Powell—There is a reduction of only \$12,000 represented by the train hands.

Hon. Mr. Blair—I was not taking up the trifling amounts which made this \$100,000. But there is an item of \$100,000 due to the cutting off of trains and the reduction of train hands and other incidental savings of amounts that were previously spent in the operating of the line. You will observe, Mr. Chairman, that there is necessarily a very marked effect produced by the reduction of these expenditures in the condition of the road-bed, rolling stock, and generally of the equipment of the road. I point to this for the purpose of saying two things. In the first place I say it was injurious to the road; in the next place, I say it is a complete answer to what was said at the time and has been more or less made since, that there had been any marked evidence of success on the part of the minister of that day. Anybody can scimp the road; anybody can starve it, depreciate it. You can cut down expenditure, but when you do so, you are doing serious injury to the railway system of the country. Now, let

EFFECT OF THE EXTENSION.

me pass from that to a statement of re-

(Continued on Page 8.)

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