

United States; and the fact that the Grand Trunk's principal seaport is in the U.S.

The investigation of the Canadian Northern by the commission has disclosed evidence of skill in construction and efficiency in management, considering the means and equipment available. The company even now earns a large part of its fixed charges although important parts of the system have been in operation for but a year. I think there is ample justification for confidence that the affairs of the company will improve with the return of normal conditions. I see no reason for a change of management or a reorganization, excepting as hereinafter suggested.

It may be well here to consider the relation of the Intercolonial to the other roads, and the possibility of operating it in conjunction with any of them. We have shown its relation to the Canadian Pacific. The main line of the Intercolonial is about 1,000 miles, from Montreal to Halifax. It has occupied the territory for 50 years and has become adapted to it. There are apparently no operating economies available by combining it with another system that are not available to it alone. Assuming proper regulation, there appears to be no traffic interchange that could be better assured by merger. I am informed that the Maritime Provinces consider the use of the Intercolonial as a right to which they are entitled. Moreover, the government has built the Transcontinental, a part of which was in compliance with plans of the Grand Trunk, while the rest of it is so placed that it ought to continue to be operated in conjunction with the Intercolonial. The present status of the Intercolonial and the eastern part of the Transcontinental should be continued as a government operation. The results of such operation should, however, be reported to the people of Canada in exactly the same form as is required from other railways. And these roads should be subject to the same reasonable regulation as is exercised over all other railways.

Mention might be made here of the railway that the government is building from the Saskatchewan River to Hudson Bay. The object in the construction of this road has been stated to be that of obtaining a shorter haul from the western provinces to Europe. The bulk of the traffic to follow this route must necessarily be diverted from the roads extending from Winnipeg to the east, so that the project seems to be an instance of competitive construction which cannot be justified in this case, even on the ground that it opens up new territory.

There are numerous local railway projects, within provincial limits, which at the moment seem to have little effect upon this general railway problem. Disposition of these may well await developments as to their necessity and utility when they assume operation. There is little that can be said just now as to their probable relation to the existing means of transportation.

The Great Lakes and the St. Lawrence River furnish a natural route from the western country to the east, and to the Atlantic ocean for a part of the year. Numerous steamship lines between Port Arthur and Georgian Bay or the lower lakes and St. Lawrence River ports afford adequate transportation under normal conditions, though somewhat affected by customs requirements and other factors. In view of the heavy movement of grain in the last three months of navigation, regulations governing shipping

should be as favorable as practicable, for the hauling of grain over the long distances to the eastern seaboard by an all rail route involves a problem in car supply and cost which renders such a haul unprofitable for rail lines. The success of the Canadian Pacific steamship lines has led to the suggestion by some that the other railways ought also to establish steamship lines. I do not believe that this success was primarily due to the railway ownership of the ships. Temporarily the war seems to have put a stop to plans for railway owned steamships. If, at the close of the war, it is to be tried again, it would seem advisable first to ascertain whether other ships cannot be induced to schedule sailings before railways incur the responsibility of making additional investment in ships. There are ships running in regular postal routes with subventions. Perhaps the government might well require, in connection with its subventions, that ships give equal service to the railways without discrimination among them, thus removing another cause for the employment of duplicate facilities.

In visiting the various ports, I was impressed with the facilities installed and being installed. At Halifax, particularly, important works were actively under way, necessitated, I believe, by the overseas traffic for war purposes. It is likely that the future development of steamship terminals in connection with railways will be difficult to fix until normal conditions resume. Meanwhile, the Atlantic seaports are so much involved in the emergencies of war as to place them beyond the scope of this inquiry. In any event, such works of harbor improvement and development as are the result of war measures will be there at the close of the war as a foundation for what the future may hold.

I am unable to join my colleagues in their recommendations. They propose that practically all of the railways in Canada, except the Canadian Pacific and the United States lines, shall be turned over to a corporation to be managed by a board of trustees appointed by government. They insist that this board is to be permanent and self-perpetuating. I do not know by what means one parliament can bind its successors to a given policy, especially in so simple a matter as changing the organization of a government board. My friends seek to avoid government ownership and operation, in fact condemn it as inadvisable, but propose a plan which contains so many elements of danger in the direction which is sought to be avoided that I am unable to join them. Their plan would add about a billion dollars to the direct debt of Canada. The interest on this is about \$40,000,000, adding very largely to government expenses. Judging from the experience Canada has had with its government railways, it is fair to assume that this would remain a permanent burden. Operated by private companies, this interest would ultimately be borne by the companies without recourse to the government funds, and at the same cost of service to railway patrons as would obtain under government operation.

Their plan also leaves out some of the railways. This is unfair to the investors whose property is to be subjected to government competition. It also discriminates in the method by which the respective properties are to be acquired. I cannot approve the proposed centralization of control. There are problems local to separate regions which often require prompt action and co-operation between the railways and the people served. There

is a need everywhere for that prompt and efficient service which can come only from a knowledge of local conditions and responsibility for meeting them. I cannot believe that centralization, remote responsibility and control, will ensure good service to the people of Canada. The recommendation creates a Dominion Railways Co. owned by the Dominion Government, to take over those roads. There are about 7,000 miles in the United States controlled by Canadian companies. The Canadian railways depend for no inconsiderable portion of their revenue on United States traffic. A fundamental defect of the plan, therefore, is in placing the government in the railway business, not only in Canada, but also operating railways in the United States subject to both federal and state regulation.

Through private railway management. Canada has obtained about one mile of railway for each \$30,000 of government aid of guarantees, which is but a fraction of the cost of government railway undertakings. In some instances, a large proportion of the aid was in land, the value of which was produced by the building of the railway and the settlement thereby made possible. Compared with the total outlay involved in producing railways by the government for itself, as, for instance, the case of the Intercolonial or the Transcontinental, from three to six times that amount have been used to realize equal results. This shows distinctly the value of enlisting and retaining private enterprise.

The Obvious Remedy.—Let us review the salient facts concerning each company: The Canadian Pacific is amply able to take care of itself. It can and does provide competition with the other railways. In order to be most serviceable to Canada, it should be continued, subject only to such equitable regulation as is accorded to all lines. The Grand Trunk succeeded in the east and failed in the west. The Canadian Northern succeeded in the west and was jeopardized by its eastern expansion. There is extensive duplication of lines in the west; the unsuccessful Grand Trunk Pacific lines are found among the successful Canadian Northern lines. Public policy demands the unification of these lines, for great economies could be thereby accomplished. There is extensive duplication in the east; the new Canadian Northern lines among the older lines of the Grand Trunk proper. Great economies in proposed investment and operating expenses await the joint working of these properties. There is wasteful duplication in the connecting region between North Bay and Winnipeg, where the Canadian Northern line parallels the government line. Economy awaits the joint working of these lines.

Consideration of all phases of the problem leads me to recommend the following remedies for the existing situation:—Let the Canadian Pacific alone; let the Grand Trunk operate the eastern lines now held by that company and the Canadian Northern; let the Canadian Northern operate the western lines now held by that company and the Grand Trunk Pacific system; let the government operate the connections or procure their operation by private companies; all of which should be done under arrangement that are equitable and yet look to the not distant day when the country will have survived the war and resumed its prosperous growth.

There may be several ways by which this can be brought about, but the one that has appealed to me is that which seems to be the least disturbing of values and credit and involves no untried