Position of Grand Trunk Railway— G.T.P. was the Fatal Mistake

From the majority report it appears that government aid to the Grand Trunk amounts to $28,145,693, and to the Grand Trunk Pacific $114,470,884, and to the Grand Trunk Pacific Branch Lines $13,469,004. This includes subsidies and other cash aids as well as guarantees on bonds, and includes all provincial and municipal aid as well as Dominion government aid.

No physical valuation was made of the Grand Trunk System proper, as with the time at the disposal of the commission it was possible to make a physical valuation only of the Canadian Northern and Grand Trunk Pacific. Besides, it was thought that no useful purpose could be served by a valuation of the Grand Trunk Railway proper, the view being taken that the G.T.R. has been in operation for such a length of time that its value is best established from its earnings. These earnings, say the commissioners, must also be greatly discounted, owing to the commitments of the G.T.R. in Grand Trunk Pacific projects, amounting to $123,280,980. The G.T.R. stands as guarantor of $97,301,252 bonds and debentures of the G.T.P., and in addition have advanced $26,179,728 in cash. The present annual liability of the Grand Trunk in connection with the G.T.P. System is considerably over five million dollars per annum and in January, 1923, it will be increased to seven million dollars. The difference is on account of the Dominion Government's obligation to pay the interest on the government-guaranteed first mortgage bonds of the mountain section of the G.T.P., amounting to $1,655,121 per annum for seven years after the completion of the road, which was officially January 1st, 1916.

The Grand Trunk Railway has not been and is not being adequately maintained, says the majority report. No depreciation fund has been created for equipment. Mr. Chamberlin's evidence is that 5 per cent. on the cost of the equipment ought to be annually charged under that heading. This item, he says, would have required an annual sum of $2,750,000. The vice-president in charge of operation, Mr. Kelley, has direct responsibility for the plant. He agreed with Mr. Chamberlin's evidence and submitted a full report on the question of deferred expenditure, as follows:—

G.T.R. Summary of Deferred Expenditures.

Rebuilding and reinforcing freight car equipment		$ 8,943,971.14
Equipping freight and passenger cars with safety appliances—		
Original estimate	$850,722.50	
Already expended	392,220.89	
Balance to be expended		458,501.61
Equipping engines with safety appliances—		
Original estimate	$ 17,828.00	
Already expended	553.68	
Balance to be expended		17,274.32
Deferred renewals in Maintenance of Way Department—		
In Canada	$6,182,672	
In United States	5,578,926	
		$11,761,598.00
Total		$21,181,345.07

Montreal, March 5, 1917.

On the single item of rails the cash expenditure required to restore normal conditions is reported as $5,312,142. The cost of restoring ballast to normal conditions is reported as $2,434,000. With reference to "deferred renewals" in Canada, amounting to over six million dollars, it appears that they have accumulated during eleven years, 1906-1916, "during which period, in spite of the requirements of the property and the claims of public safety, $36,000,000 were paid out in dividends," says the report.

$21,000,000 Needed Now for G.T.R. Maintenance.

"The twenty-one million dollars dealt with above," says the report, "represent the money which the responsible officers of the company estimate to be required to put the existing plant into good normal condition. This is a revenue liability. But the existing plant is quite inadequate for existing traffic and requires large additions, for which new capital must be raised. The estimates of necessary capital expenditures submitted to us are as follows:—

"Requirements for rolling stock, shops and machinery	$26,150,000
"Requirements for automatic block signals (main line in Canada only)	3,533,000
"Requirements for installing rock ballast crushing plant	467,500
"Total	$30,150,500

"Putting together revenue and capital expenditure, we find that the Grand Trunk Railway, in the opinion of its own officers, requires over $51,000,000 spent upon it to put it in a position to meet the requirements of its to-day's business. We see no reason to expect that under existing conditions this necessary money will be provided. The effect on the country's business of deficient railway facilities is very serious.

"The Grand Trunk Company's Board of Directors is 3,000 miles away. We cannot think that the state of affairs which our investigation has disclosed could have arisen, had the Board been on the spot. We are forced to the conclusion that the control of an important Canadian company should be in Canada. But this cannot be secured as long as the Grand Trunk Railway is owned by shareholders in England. We have come to the conclusion, therefore, that the control, not only of the Grand Trunk Pacific Company, but also of the Grand Trunk Company of Canada should be surrendered into the hands of the people of Canada. We recommend that the chairman of the Grand Trunk Company be informed, that it is only on this condition that the Government is prepared to relieve his company of the obligations which it has incurred in respect to the Grand Trunk Pacific. We recur later on in this report to these two companies, in order to set out our recommendations as to their ownership and management in the future, and as to the terms to be offered to the Grand Trunk shareholders."

G.T.R. Accuses Government of Bad Faith.

The Grand Trunk have asked the government to be relieved of their G.T.P. liabilities and to have refunded to them all of the money which they have put into the G.T.P., claiming (1) that the government had in effect gone into partnership with the G.T.P., and that subsequently it had by subsidies and guarantees enabled the Canadian Northern to come into existence, and that this action of the government was, in view of its position as