

take over other operations of those properties, either as a whole or in groups. Even where a road does not earn its fixed charges, the government could profit in the long run by making the terms of an operating lease sufficiently attractive to induce private enterprise to undertake its management. The terms of the contracts would naturally depend upon the extent of the property and the prospect of earnings, but they could be so drawn as to prove attractive to private capital and at the same time relieve the government of the expense and embarrassment of government operation. Such contracts might be based upon a profit-sharing plan on a fair basis, which would leave the company a hope of reward commensurate with its efforts, and give the public also a share in the prosperity which they must help to create.

Desperate Need of Equipment.

I should like to add one other thought. The railways of Canada are in desperate need of equipment. Whatever decision is made with reference to the railways, the transportation problem is now acute in so far as equipment is concerned. I would, therefore, recommend that the government undertake at once to provide an ample supply of freight cars and locomotives against immediate and imperative needs. These cars and engines may be had, if desired, under trust agreements. It will be a simple matter to turn these cars and engines over to the operating companies under lease or contract of purchase, which may be exercised when conditions are more nearly normal.

Concluding, I would be loath to suggest recourse to any radical changes in the domestic policy of the Dominion of Canada in this time of war and stress. Remedial measures are often more efficacious than revolutionary ones, and more equitable. I have been impressed by the seriousness of your transportation problem, and in sincerity express my belief that the problem can be successfully and satisfactorily remedied by just and mutual recognition of difficulties and full and free co-operation between the government and the railroads. Fair and broad treatment of the question will, I am convinced, bring capital and personal genius commensurate with the exigencies of the present situation, and capable of developing a happy solution. I believe that the best results hitherto have been obtained by the efficiency and economy of private initiative, energy, and capital. It is no longer assumed that the self-interest of the railroad investor and operator is antagonistic to the interest of the public; rather, we have all learned, governments and corporations alike, that the two are inseparably linked and must stand or fall together. Upon these fundamental truths I base my firm conviction that the brightest outlook for the future of your great Dominion can be assured through the extension of private railroad enterprises. The hope of honor and the reward of public approval must be open to human kind to get the best results from human endeavor.

Facing the urgency of the need, considering the part which the government has taken and the responsibility which it shares, and keenly alive to the magnitude and the importance of the tasks now placed upon the railroads and the greater tasks which they will face, I see no safe alternative but the government shall continue, with discrimination and resort to all available safeguards, and under a policy of proper regulation and co-operation of effort, to aid the necessities of the railroads of the Dominion until such time, which I hope and believe will not be far distant, when these will become self-supporting and the problem will be solved.

Extensive Re-Organization Unnecessary.

We are asked to make suggestions in regard to "the re-organization of any of the said railway systems or the acquisition thereof by the State; and in the latter case, the most effective system of operation, whether in conjunction with the Intercolonial Railway or otherwise."

The first practical question is, therefore, the need of re-organization of any of these three transcontinental systems; the second is whether they should be acquired by the State; and the third is whether the status of the Intercolonial can be changed; and, if so, can the road be advantageously grouped with either of the three systems.

In such suggestions as I shall make, I am influenced by consideration of the public policy as evidenced by past governmental acts. I further assume that the existence of these roads through the direct aid and sanction of government is conclusive evidence of the fact that the people really desire them. That they were built in advance of their need for ordinary commercial uses—a fact which is emphasized by the

present abnormal economic situation—does not appear to me a sufficient reason for condemning the policy of national development, or the wisdom and integrity of those who have built the roads under that policy. Neither do I think that there exists any condition to warrant taking up a new and untried public policy, which may lead to greater difficulties than those which are now faced.

The history and standing of the Canadian Pacific Railway, and its public service as a carrier to-day is sufficient assurance that it does not need reorganization. The scope of its business, extending to other lands by steamships and commercial connections, and the control of many thousand miles of railroads in the United States, would afford sufficient reasons, if none other existed, for dismissing the idea of its acquisition by the State.

So much of the Intercolonial as is serviceable to the Canadian Pacific appears to be now used by it, either as a local connection or through trackage rights. Moreover, the two have existed separately for many years as competitors, and no new reason appears why the relations of the Intercolonial and Canadian Pacific should be changed for the future, unless the people of Canada are satisfied that better results would be obtained for the territory served by the Intercolonial if it were in the hands of the Canadian Pacific.

G.T.R. Cannot Carry Obligations.

The Grand Trunk Railway Company has stated that it is beyond its power to assume and carry the obligations which would be imposed upon it if it should try to become such a transcontinental system as the plans of 1903 contemplated. The company has not attempted to bring about the organization of a system approximating that of the Canadian Pacific, or even the Canadian Northern, nor can it do so.

In view of the parent company's inability to carry out its original plans, and to discharge its obligation, the question is, what disposition is to be made of the various roads which were intended to be, but did not become, parts of one operating system?

My colleagues have recommended that the stockholders of the Grand Trunk Railway Company be paid an annuity, which is to be a "moderate but substantial portion of \$3,600,000, the average dividend payment for the last ten years." This recommendation is in spite of the facts noted in the report that there are arrears in maintenance which require the expenditure of twenty-one millions of dollars, and that the company has charged to capital items which should properly have been charged against income, these facts indicating that there have been some dividends paid which have not been earned. Considering this situation, and also the obligation of the company in the West, I am not impressed with the justice of paying an annuity to the stockholders in exchange for a surrender of this property. I also would be liberal to them, but I would allow them to keep their property and give them a chance to work out their own salvation. To that end, I would recommend that a settlement be effected between the government and the Grand Trunk Railway Company. The railway cannot carry out its part of the contracts, and it should be relieved of further embarrassment. On the other hand, the stockholders of the Grand Trunk Railway should be required to curtail or forego their dividends for the present, and the entire earnings be applied to the rehabilitation of the road through a term of years. The government thus gives up a present claim which the debtor cannot pay anyway; in turn, it will enjoy improved and extended service, which may be worth far more to the welfare of the people. I should also give the government some claim upon the future earnings of the Grand Trunk, so that it may share in any future prosperity which this action makes possible.

Put Itself Into Shape.

Reorganization of the Grand Trunk is desirable only in so far as it shall be required to put itself in shape to discharge efficiently its functions as a carrier. Whether it shall retain all of the subsidiaries which it has accumulated through the past fifty years depends in large measure on what they can contribute to the main property. Careful study of each of the subsidiaries will lead to definite conclusions from the standpoint of the Grand Trunk and its future welfare.

What the Grand Trunk needs most of all is to be relieved upon equitable terms of the embarrassment that it has incurred through the failure of the transcontinental scheme. The acquisition by the State of the Grand Trunk Railway proper presents much of the embarrassment that would obtain in the effort to acquire the Canadian Pacific, for here also, in addition to the question of equity involved, there is