

been to promote the public welfare by means of building or aiding in the building of transportation lines throughout the Dominion.

It is unfortunate that Canada did not have a policy of regulation in this period which could have prevented needless duplication of lines and facilities. Competing lines have been built where effective regulation could have saved a large part of the investment, while completely satisfying every reasonable and proper need for service. Instead of co-ordination and conservation under government supervision, railways were permitted to duplicate plant in fields not yet productive enough to support the one; the government, on the other hand, was, in one way or another, aiding both projects, if it had not indeed itself promoted either or both projects. Very naturally, it has not and could not have obtained the benefit which should have followed a correct programme of government aid. The policy of government aid makes the need for regulation of railway building more necessary even than where private capital is depended upon, for in the latter case the proposal must at least have a promise of commercial success before capital can be induced to come in and give it support. To the absence of such regulation must be charged responsibility for no small part of the railway problem of to-day.

### Effect of Policy.

We may well inquire here as to the effect of this policy upon the three principal systems. The Grand Trunk Railway Company, feeling no doubt that its own traffic field had been invaded by the government-aided Canadian Pacific, desired in turn to enter the promising western territory. Accordingly, it proposed to build a line from North Bay to the Pacific Coast. Public aid was required and granted in a way to ensure the building of the road. If any serious thought was given to co-ordinating existing or proposed roads, and to utilizing them for the public good, it did not find public expression in any constructive way. The Grand Trunk Railway Company evidently felt confident in the success of its plans, for it pledged its own credit in aid of the extension, and entered into contracts which it now finds quite beyond its ability to carry out.

Canadian Northern interests, directed by Mackenzie, Mann & Company, who since an early date had been operating local lines in Manitoba, seized the opportunity afforded them for expansion and rapidly extended their rails throughout the prairie region. The records show that the Canadian Northern had a large mileage on the prairies before the projection of the Grand Trunk Pacific; so that when the extension plans of the Grand Trunk became a part of the national policy, as they did become, the Canadian Northern was added to the number of those who wanted to own a transcontinental system and one as fully complete and self-contained as was that of the Canadian Pacific. Hence, we find two new companies, both built largely upon public credit, striving for first place in a field which, as for transcontinental transportation, or even as for connecting Eastern and Western Canada, was already occupied. Besides having the Great Lakes waterway, there could have been barely enough business to support one additional line, and that only by the exercise of economy in operation and prudence in investment.

### Created a Boom.

The Canadian Pacific, enjoying splendid credit, with adequate powers and resources, and keenly alive to the possibilities of losing business to competitors challenging its supremacy everywhere, then entered the contest by undertaking to build new lines in an effort to protect its sources of revenues.

The stimulation felt throughout the country by the influx of settlers and by the importation of so much new capital not only created a boom, but it quite naturally affected prices for labor and materials, sending these soaring; the increased prices in turn contributed largely to the higher costs which are now reflected in the construction accounts of the new roads.

This brings us fairly to a recognition of the fact that while the policy of public aid to railways had originally been founded on the urgent need for transportation to open up a new country, to develop its resources, and to unify Canada commercially and politically, it was carried far beyond the limits warranted by the original exigency. It appears to me that the responsibility is as much the government's as the private companies'. Without enabling legislation and the extension of government credit from which all received their

essential support, the companies could not have expanded and overbuilt.

This policy, in so far as it aimed at the development of Canada, appeals to me as sound, and fully justified in its inception, but it needed to be supplemented by some form of supervision that would have insured to the people the benefits of that policy without the losses that have followed the effort to assist development indiscriminately.

The situation must be faced as it exists. It is not possible to undo what has been done, the money which has been spent cannot be recalled. The immediate and obvious thing to do is to adopt a constructive and discriminating programme, first, for correcting the conditions which necessitate continuing loss and waste, even where that would require the abandonment of useless property, and, second, for controlling new construction. The scrap heap is frequently the most economical disposition available for inefficient plant and machinery.

Mr. Smith then deals with the status and usefulness of the three transcontinental railway systems, and says:—

The Canadian Pacific Railway is essentially self-contained and self-sustaining. I agree with my colleagues as to its financially strong position. It has world-wide commercial strength. As a result of the aid and privileges extended by government, together with the prudence and progressiveness of its management, which has extended its field of activity over nearly all Canada, and through its steamship lines and commercial organizations throughout a large part of the world, it is a success.

### Is Efficiently Operated

The Canadian Pacific is well built, well maintained and has adequate terminals and equipment. It is efficiently operated. It is somewhat at a disadvantage in crossing the mountains, and elsewhere it has gradients that, compared with more recently built lines, do not make for as good train-load and operating efficiency. It is assumed that the Canadian Pacific will make improvements as the need for them arises, for it is fully able to do so.

Accorded reasonable treatment, that company will continue, I am sure, to give good service, and I believe the best interests of Canada will be served by continuing the present status of the Canadian Pacific. The introduction of government railway competition, which might have no regard for investment or cost of operation, would be unfair and, in the end, would react disastrously upon the Canadian people. The regulating power affords to the people of Canada adequate protection in the matter of rates and services, and such power should likewise protect the company.

### Grand Trunk System.

The fortunes of the Grand Trunk Railway Company are bound up with the Grand Trunk Pacific. It stands as guarantor for large sums of money invested in the railway, and has advanced millions from its own resources in an effort to develop the western line and its subsidiary properties. The Grand Trunk Pacific Development Company has absorbed many millions of Grand Trunk capital without definite prospect of return, and to the Grand Trunk Pacific Branch Lines Company large construction advances have been made. Not only is the Grand Trunk committed for many millions, but the government has directly invested large sums of money in this property and guarantees other large sums, the total of which exceeds \$127,000,000.

The Grand Trunk Pacific was located on a scale that would do credit to any single-track line. There is not enough business to justify such an outlay, and the prospect for business which will warrant the cost seems quite remote. For long distances, sections of this line parallel one or more other lines.

The part of the Grand Trunk Pacific lying between the Rocky Mountains and the Pacific coast is in a country which appears to have abundant natural resources. In time, these may be developed to the advantage of this road.

The port of Prince Rupert is suited for a large ocean traffic, which is non-existent. The development of Alaskan trade seems to present the most immediate possibility for this port and railway.

The road west of Winnipeg has some disadvantages on account of expensive trestles and instability of embankments. It has good grades, but inadequate terminals at important places. It has sufficient equipment but lacks feeders.

From the Rocky Mountains to Winnipeg, the presence of parallel road arises a question as to whether the Grand Trunk Pacific line is not the best adapted by location and physical