

Nationalization Would Add Billion to Country's Debt*

So Says the Minority Report Presented by the Chairman of the Railway Inquiry Commission—Opposes Drayton-Acworth Recommendations—Advises Continuation of Public Aid to Canada's Railroads

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THE Canadian Pacific is amply able to take care of itself. It can and does provide competition with the other railroads. 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.

Remedies Recommended.

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 arrangements 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 schemes or protracted disputes. Therefore, I beg to make the following suggestions:—

1. Amend the regulating policy so that the Railway Commission may have jurisdiction over all railroads in the matter of maximum and minimum rates, the issuance of securities, the building of new railways, or the extension of lines, and other matters properly within the scope of governmental supervision.

2. Create a board of trustees, consisting of two government officials and three private citizens, to act for the government in the matters hereinafter proposed.

Relieve the Grand Trunk.

3. Relieve the Grand Trunk Railway Company of its obligation to lease the Transcontinental, and require the company to relinquish all claims upon the Transcontinental; require it to lease to the Board of Trustees the Grand Trunk Pacific railroad properties at a rental amounting to the net annual fixed charges; require it also to take under lease the Canadian Northern properties east of North Bay and Parry Sound, and pay as a rental the net fixed charges on those properties. The time of the lease should be for twenty-one years. The Grand Trunk's investments, other than railroad, in the West may be disposed of by the company as it may elect, and in accordance with its best interests.

4. Require the Canadian Northern Railway Company to confine its operation to the field west of Winnipeg. Relieve it of the line east of Winnipeg by leasing for twenty-one years to the governmental Board of Trustees at a rental of the net annual fixed charges. Require

it to take a lease of, and to operate for the same period the Grand Trunk Pacific Railway, and its branch lines, paying as rental the net annual fixed charges upon those properties; except that until seven years after the end of the war they shall have the immunity that was promised the Grand Trunk Pacific for a period of seven years after construction, and that they shall not be required to assume any of the extraneous investments of the Grand Trunk System in the West.

Twenty-one Years' Lease.

5. Lease the lines between North Bay and Winnipeg (except the Canadian Pacific's) for a term of twenty-one years to either the Canadian Northern or the Grand Trunk (or, in event neither applies, to any other qualified company), requiring the lessee to furnish the necessary capital for new equipment, and to maintain and operate the lines on the best terms that can be made; terms that would give the best service needed at lowest cost to the government being regarded as best. Either the government or the lessee should build a connecting line of about thirty miles near Long Lake, Ontario, to protect the better working of the two lines.

6. The government and companies should have the option of terminating, after ten years, any of the leases upon equitable terms.

The foregoing recommendations are made with a view to obtaining for Canada a maximum of efficiency at a minimum outlay. The continuance of government aid, to some of the railroads at least, will be necessary under any plan. The plan herein proposed seeks to reduce this to the lowest possible point and to centralize it upon those parts of the existing lines which are not self-supporting, and which, in the nature of things, cannot be self-supporting for years. These connecting links, "bridges," as they have been called, exist, it seems to me, as a result of that public policy which has been discussed at some length. The government may well afford to take them over and maintain them as necessary parts of the public investment in the country's development. They are not of sufficient importance to bring about those dangers inherent in government operation of this kind on a large scale, and holding them will not endanger private enterprise. It may be necessary in working out this plan to grant some additional and temporary aid to the Canadian Northern, and it will be necessary to effect some compromise with the Grand Trunk Railway Company which will enable this company to continue. Aid should be extended upon the recommendation of the Board of Trustees, who should be charged with the duty of investigating the need of and approving the aid to be rendered by the government; they should also see that the government receives for that aid such security as will give it a reversion in case of default.

Fair Solution of Problem.

The recommendations here submitted are to be considered as a general outline of what appears to be a fair solution of the transportation problem. Enabling legislation will be required in any case, and I realize that there are many technical and legal questions which will require careful attention at expert hands. If the general plan is adopted, my thought is that the Board of Trustees which I have suggested be charged with the duty of acting for the government in all matters requiring new contracts, and shall protect the interest of the government in every way while leasing, operating, or financing the property under their care to the best advantage, due consideration being given to the rights of the other parties at interest.

If for any reason it should prove inexpedient to carry out the foregoing suggestions, and if the government should find it wise or necessary to possess itself of, and to hold any considerable part of the railway properties, I should recommend as an alternative plan the formation of a private company to

*Abstracted from minority report of Royal Commission to Enquire into Railways and Transportation in Canada.