

CANADA'S RAILROAD PROBLEM

ANALYSIS OF THE ADVANTAGES OF GOVERNMENT OWNERSHIP—RAIL AND WATER FACILITIES—ELIMINATION OF THE WASTES OF COMPETITION

By W. T. JACKMAN, M.A.,

Department of Political Science, University of Toronto.

THE present juncture in our national development, when great questions are pressing upon us for appropriate solution, brings before the public, among other vital issues, the problem as to what is to be done regarding the railways of the country. Probably there is no other phase of our economic life which is of greater importance to all classes of the people. The value of the transportation services brings before each of us, whether engaged directly in business or indirectly affected by business interests, the intimate relation which so clearly exists between the welfare of the railways and that of the general public, that I venture to advance some considerations which may help to set this far-reaching transportation problem in its proper light. But, before proceeding further, may I say that I am not writing with any partisan purpose in view, nor am I endeavoring to put forth a panacea for the relief of all the railway ills of the country; my aim is to impartially consider some aspects of this great question which need to be kept perpetually before us, especially in view of the many advocates who are urging a complete change in our policy of dealing with these vast interests. We should not seek any such change without serious study as to the probabilities of the outcome. May I reiterate that in treating this subject I am anxious to be just to all classes, both to those who are in favor of and those opposed to government ownership of the railways. Only by seeing the problem from all sides can we weigh the relative merits of government and private ownership so as to come to a judicious conclusion. Leaving aside any bias, therefore, let us look at the problem with judicial mind.

The importance of the railways to the country and the difficulties encountered by them in the financing of their operations have been so great as to cause the government last year to appoint a railway board of inquiry composed of experts, to go into the situation thoroughly and report its findings and recommendations. This board has recently completed its labors and from the statements published in advance of the report itself, it seems as if a majority of that body were in favor of the nationalization of the Canadian Northern and Grand Trunk systems. Of these two, the Canadian Northern has been unable to meet a large portion of its fixed charges, and the Grand Trunk Pacific, a subsidiary of the Grand Trunk Railway Company, while unable to meet any of its fixed charges, has also had a large deficit in its operating expenses. These facts have compelled the two companies to appear before parliament and ask that body to advance them the necessary assistance to enable them to discharge their financial obligations. From all appearances, these companies, if left under present control, may have to seek such aid for several years, for both of them have been expending largely on capital account in the construction of new lines through undeveloped territory in the West, and it is inevitable that, until the traffic of this western country is increased to such an extent as will permit the roads to pay their own way, assistance must be obtained from other sources than the traffic. Because of the necessity of obtaining relief from governmental sources, the railways, it is said, should be taken over by the govern-

ment; and one of our leading dailies closes an editorial on "Canada's Railway Problem" with the sentence: "The next grant of public money for railways must carry public ownership with it." Taking the utterances of the press in connection with the foregoing recommendation of the board of inquiry, it is manifest that there is a strong sentiment in favor of this proposed change.

It is not our purpose here to endeavor to settle this vexing problem. It has too many ramifications to be treated lightly or to be summarily disposed of by a few glib statements as to the evils of private ownership and the advantages of government ownership. Nor can we settle it by pointing to a few instances of private railways whose managements have been corrupt and have flagrantly broken faith with the public, much less by taking certain examples of government ownership which have been successful and holding these up as models upon which to pattern our system of administration. It will be much to the advantage of this country if the Ottawa government refuses to act hastily in this matter. In such a momentous issue, nothing is gained by precipitate action and nothing really advantageous is lost by taking time to consider all sides of the case. We think it would be unwise to use the present exceptional circumstances—a time of tremendous stress on account of the war and the dislocation of industry, a time of intense mental unrest—as the occasion for changing a system of transportation which has grown up gradually during the past sixty years, responding to the country's needs, showing wonderful adaptability and displaying initiative and ability of a high order. Such a system of administration, under which the extension of the transportation facilities has been of untold service in the development of agriculture, trade and manufactures, and which has been to a large extent responsible for the great prosperity and increasing wealth of this country, should not be cast aside unless there is at hand a new and better system which would indubitably carry on this service with equal or greater results. Let us, then, consider briefly, but carefully and deliberately, the proposed change and weigh the arguments pro and con with unbiased judgment.

First of all, what are the arguments in favor of government ownership in Canada?

The necessity on the part of the Dominion government to meet the guarantees of bond interest for the Canadian Northern and Grand Trunk Pacific railways without having any immediate control of these roads would seem to be contrary to any sound business policy. Any private corporation which has assumed the payment of interest on its bonds must be given full control of the property; and ostensibly the same prerogative would be expected in the case of a public corporation like the government which wished to conduct its affairs on strict business principles. The assumption of responsibility is correlative with the exercise of rights. But, in the case of these two roads, it would seem that the government has undertaken to guarantee and pay the interest on the bonds without having the privilege of controlling the financial operations of the companies. How long would any private enterprise endure which continued year after year to pay sums of