

The Grand Trunk Railway

Chairman Smithers Replies to the Recent Commission Report—What the Grand Trunk Has Done and What it Has Received.

MONTREAL, July 9.

To the Editor of The Journal of Commerce,

Mr. Chamberlin, the President of the Company, has already issued a statement to the press containing facts and figures which go far to refute the conclusions arrived at by the Majority Report of the Railway Commission, a report which undoubtedly was likely to injure the credit and do a great injustice to the Grand Trunk Railway Company at any time, but infinitely more likely in the midst of a great crisis caused by the most terrible war in history. It has been strongly urged on me by influential people in Canada, not railway men, that Mr. Chamberlin's reply appeals to the man of technical knowledge, but that a more general statement as to the position of the Grand Trunk and what it has done for Canada is necessary to enable the people at large to judge of the injustice done, however unintentionally, to the Grand Trunk Company.

The Grand Trunk Railway was commenced in 1853, and built by British labor, British engineers and British capital. Every yard of rail, every bit of metal required for the bridges, the locomotive stock and the rolling stock all came from England. It is almost impossible to realize now the primitive state of things existing at that time or to over-estimate the skill and resource shown by the first directors of the company in overcoming unexpected obstacles entirely out of the company's own resources. Stress is only laid on all this to show how truly the name of the "Pioneer Railroad of Canada," as applied to the Grand Trunk, can be justified. British capital commenced it, British capital built it, and British capital has maintained it until the present day.

The company have had to meet the many and continued improvements that have been introduced in railway management during the last sixty-five years. Since the present board took office in 1895, every bridge on the system has been rebuilt, including the bridge over the St. Lawrence. The present magnificent structure provides a double track line and also a line for the Montreal & Southern Counties Railway, and a roadway for vehicular traffic in place of the single tubular bridge built by Robert Stephenson. A new single arch double track bridge has also been built over the Niagara River to replace the old Suspension Bridge. The International Bridge at Buffalo has also been rebuilt, a portion of it being double tracked. One thousand, one hundred miles of lines have been double tracked, heavier rails have been put down, engines of ever increasing power have been built, and new and larger passenger and freight cars have been continually provided. The line from Montreal to Toronto and Chicago has been double tracked and laid for the greater part with one hundred pound rails, thus enabling, with the rebuilding of the bridges, the most modern and powerful locomotives to be used. The speed, safety and comfort with which travellers are conveyed on the important route will compare favorably with any railway of the continent. A new station has been built at Ottawa, and the "Chateau Laurier," the company's new hotel, is universally acknowledged as a great benefit and improvement to the Capital. The company, in conjunction with the Canadian Pacific, is building a new and important station at Toronto. In addition, the innumerable requirements of modern railway management have been assiduously cared for throughout the system.

In the sixty-five years of the company's existence it has never defaulted on its fixed charges, notwithstanding that in that period a great number of the American railways have several times been in bankruptcy and that in 1895, when the present board took office, nearly half of the American roads were then in the hands of receivers; it has maintained its standing on the London market, thus being able to finance on its own credit the many and various requirements demanded by the people of Canada. That the credit of the Grand Trunk Company stands high in the London market may be gathered from the fact that it was able, with the consent of the British Treasury, to raise in June, 1915, in the midst of war on unaided Grand Trunk credit, the sum of twelve million, five hundred thousand dollars in five hours, and that on the day on which that operation was carried out, the Germans were bombarding Scarborough on the Yorkshire Coast, and telegraphic communication was stopped for several hours between London and the North of England. With regard to the criticism as to undue payment of dividends, the Grand Trunk common stock, of which over thirty million dollars represents actual cash, has never received a dividend, and its preference stock have only

had their dividends paid intermittently from year to year as the earnings justified.

The increase in Grand Trunk capital raised in London since the present board came into office amounts to nearly \$150,000,000, which was all raised at a little over four per cent. It is not too much to say that if this money had been raised in New York it would have cost at least 1 per cent per annum more, and would have resulted to-day in a total extra liability for fixed charges of near \$1,500,000 per annum. The Grand Trunk capital at present amounts in round figures to \$430,000,000, practically the whole of which is held in Great Britain.

Over this period of sixty-five years, during which the Grand Trunk Railway has been serving the ever-growing needs of Canada, the total assistance received from the Government of Canada has been only \$23,000,000, of which about \$12,000,000 represents bonuses given by municipalities to aid in the construction of lines subsequently acquired by the Grand Trunk, and of which this company really never got the benefit. This compares according to the Majority Report of the Commission with \$347,000,000 received by the Canadian Pacific in thirty-five years, of which amount \$119,000,000 represents the value estimated by the company of the lands still unsold, and \$228,000,000 received by the Canadian Northern in fifteen years, and \$114,000,000 received by the Grand Trunk Pacific in fifteen years.

In 1903, Mr. Hays, was anxious to open up connection with the Northwest, and proposed to build a line from North Bay to Winnipeg and the Pacific Coast. The Government of that day on being approached wished, however, to build a second trans-continental line, taking in Quebec, and proposed that a line should be built from Moncton, connecting therewith from Halifax and St. John, by the Intercolonial Railway, through Quebec, and the northerly part of Ontario, to Winnipeg, Edmonton and a port on the Pacific Coast.

In 1903 and 1904 bills were introduced into Parliament to carry out this project. The Government undertook to build the line from Moncton to Winnipeg, to be called the Transcontinental, and the Grand Trunk Company, with the assistance of the Government, to build the line from Winnipeg to the Pacific Coast, to be called the Grand Trunk Pacific Railway. The Grand Trunk Pacific was to be divided into two portions: the Prairie Section, extending from Winnipeg to a point 120 miles west of Edmonton; the Mountain Section, to extend from that point across the Rockies to Prince Rupert on the Pacific. The estimated cost of the Prairie Section was \$20,000 per mile, of which the Government were to guarantee bonds up to \$13,000 per mile. They were also to guarantee bonds on the Mountain Section up to three-fourths of its actual cost, which were to be free of interest to the company for seven years from the date of completion of the line.

The effect of this extensive railway building, in addition to that undertaken by the Canadian Pacific Railway and the Canadian Northern Railway, was to produce a state of great general prosperity, and huge speculation in real estate grew up all over the country. This state of prosperity and the speculation consequent on it raised the price of land, labor and materials, and thus the cost of building the Grand Trunk Pacific was increased far beyond the amount estimated when the Acts of 1903 and 1904 were passed. The causes of the increase were obviously beyond the control of the company. This increased cost has brought both the Grand Trunk Pacific and Canadian Northern Railway into financial difficulties, which have been aggravated by the effect on the money markets of the world of the terrible war now raging in Europe. Notwithstanding that the position is at present one of difficulty, it is some satisfaction to remember that all the great lines, with one exception, that have opened up new territory to the Pacific on the North American continent, even in times of peace, have always been ahead of requirements and have passed through periods of financial difficulty. The reassuring fact to remember is the rapidly with which in nearly every case the development of the country has overcome the critical period and justified the assistance given. The Government of the day, some thirty-five years ago, assisted the Canadian Pacific in their vital crisis with conspicuous success. The Majority Report of the Royal Commission now proposes that the Canadian Northern should be taken over by the Government and relieved of all its liabilities, but does not propose

to apply the same method to the Grand Trunk Pacific, which has received far less assistance than any other road. The commission proposes that, in consideration of the Grand Trunk Pacific being taken over by the Government, the old Grand Trunk, as one of the parties to the construction of the Grand Trunk Pacific, should be surrendered to the Government on terms amounting to the semi-confiscation of the rights of British stockholders. In other words, they suggest that the Pioneer Railway of Canada, which out of its own resources, has rendered far more service to Canada than any other railway, should be the only railway to be treated in this unjust way, a way certainly unprecedented in the history of Canada. In addition to having carried the largest traffic in its history during the last year, the Grand Trunk, at the request of the Government, has undertaken considerable orders for munitions, and the work has received high approval. With such a record after nearly three years of war, was it right or just that a report should be issued which must, if it was believed, have seriously hurt the credit of a great company?

Anyone reading the Majority Commission Report will find, so far as the Grand Trunk is concerned, no reference to the fact that we are in the midst of the greatest war in history, that in consequence of the demands of that war, it has been impossible to obtain adequate supplies, coal, engines, rolling stock or rails, and that by common consent Canada has just passed through one of the severest winters in its history. The officials of the company are prepared to substantiate the fact that the congestion on the Grand Trunk Railway was less than on the American railways on the frontier, and on the other Canadian railways, and that notwithstanding the congestion the company carried in that time the biggest traffic that it has ever carried. As one proof of the difficulty to obtain material, 20,000 tons of rail were due to be delivered to the company in May, 1916, but up to date only 2,500 tons have been delivered, and the company has had to make a special and urgent appeal to the Canadian Government to allow the mills to suspend the manufacture of steel for munitions for the purpose of rolling five thousand or six thousand tons of rail to take care of immediate requirements. Locomotives have been ordered at prices varying from \$45,000 to \$50,000, or more than double the cost prevailing before the war, and freight and coal cars at an even greater price. It is almost, if not quite impossible, for people who are on the outside of practical railway management to realize the difficulties that have to be continually faced under modern conditions. This was true in pre-war time. It is doubly true to-day, not only in the financial and other ways I have mentioned, but also in the increasing demands arising from the war, such as the carrying of troops, munitions and war supplies of all kinds, and above all this, the loss of the services of the large number of the company's men who have nobly volunteered for service at the front. Nothing has been more vital in the prosecution of the war than the wonderful work of the railways. Nowhere has more devoted service been given than by the officers and men of the railways in Canada, Great Britain and France. I am sure adverse criticism of railway management at the present time can only be made by those possessing a very imperfect knowledge of the situation which the railways have had to face during nearly three years of unexampled war conditions.

I have tried to make a plain and straightforward statement in defense of the interests which I have the honor to represent. We are all experiencing a time of extraordinary stress and difficulty, and I have omitted many arguments which, while they would have brought more clearly before the people of Canada the strength of the Grand Trunk case, still might have created annoyance or ill-feeling in some quarters, which in the unprecedented conditions now existing in Canada and the world it is a patriotic duty to avoid. I wish here to express my gratitude to the many people in Canada who have expressed their sympathy with the Grand Trunk, and to the great majority of the Canadian press for its sympathetic attitude towards the Pioneer Railway of Canada. In conclusion, I beg to publicly express to the officers and staff of the Grand Trunk Railway the board's appreciation and my own of the loyal devotion and work which they have displayed during a period of many and great difficulties, and I beg, respectfully, to assure the people of Canada, in the name of everyone connected with the Grand Trunk Railway, that we highly appreciate the kindly feeling and sympathy that has been shown to us and to assure them that our efforts in the future, as in the past, will be to render them every service in our power.

Yours faithfully,

ALFRED W. SMITHERS,

Chairman.