

## Editorials

### NATIONALIZATION OF THE C.N.R.

The government's proposal to nationalize the C.N.R. does not agree with the spirit of either the majority or minority report of the Railway Inquiry Commission. Both Mr. Smith and Messrs. Drayton and Acworth emphasized in their reports the manner in which the G.T.R. and C.N.R. complement each other, and this has also been pointed out by Mr. W. F. Tye and other railway authorities. By taking over only the C.N.R., the government does not avoid any duplication of railway effort and does not effect any economies in operation.

The acquisition of the C.N.R. at this time would be welcomed by the people of Canada, assuming that the road were to be acquired upon a fair basis, if there were prospects of adding the Grand Trunk Railway System to the government lines in the near future. But Sir Thos. White strongly intimated, when introducing his resolution in the House of Commons, that the government has no idea of taking over the old G.T.R. System. He said that the government would like to take over the G.T.P. later on if some way could be arranged for doing so and safeguarding the interests of the people, but he said that the finances of the Grand Trunk System, aside from its obligations to the G.T.P., are quite satisfactory, and he defended the payment of dividends at the expense of betterments. All this clearly indicates that the government proposes to leave the Grand Trunk Railway System as it is, and that it may even relieve it at a later date of its G.T.P. liabilities. The acquisition of the Canadian Northern, apparently, is therefore not intended to be the first step in the formation of a Dominion Railway Co. such as outlined in the majority report of the Railway Inquiry Commission.

If the government intends fully to protect its investment in the G.T.R., with a view to taking over the G.T.R. at a later date in case that road continues to seek periodical government loans, why does not the government require a mortgage upon the whole G.T.R. System in exchange for the \$7,500,000 which it is now lending, instead of taking a mortgage only on the G.T.P.,—a mortgage which even Sir Thos. White admits may be practically worthless on account of existing securities totaling the value of the road?

Another point which arouses concern is in regard to the basis upon which the purchase price of the capital stock of the C.N.R. is to be arbitrated. The resolution before the House merely states that the arbitrators shall determine the value of the outstanding 600,000 shares of stock. It does not say whether the value is to be based upon physical value and assets of the road or whether the arbitrators are to be given a free hand in placing value upon good-will and future prospects. It does not say whether the actual value of the road is to be taken as replacement value or present value, nor does it say whether the road is to be valued at normal pre-war prices or at present abnormal prices. If the decision of the arbitrators be unanimous, it is finally binding upon the government as well as upon the railways. There can be no appeal.

How is the government to select its arbitrator? This man, whoever he may be, will have enormous authority; he will be able to commit the government of Canada, finally and without recourse from his action, to an enormous payment. The selection of this arbitrator is a very serious proposition. The opposition should be consulted and thoroughly satisfied; his appointment by parliament should be so nearly unanimous as possible. No one must have any influence on the appointment who is connected in any way with the owners or pledgees of the stock, or who has any interest in their affairs.

The question naturally arises, Who are the pledgees of the stock? Full information concerning their names and the amount of stock held by each should be given to parliament. The widest publicity should be given to the whole transaction. This is too big an affair for any corner of it to be left dark.

Sir Henry Drayton and Mr. Acworth, in their report, say that the capital stock is practically water and that it represents no value. With this view we are inclined to differ, and believe that the board of arbitration will most likely set a value of at least twenty to thirty million dollars upon the stock, but Sir Henry Drayton's published views make him the logical arbitrator for the government's side. The people will want an arbitrator who believes that the stock is valueless and who will work with that as an initial assumption. The company's arbitrator will no doubt endeavor to show that the stock is worth par, as Sir Wm. Mackenzie and others connected with the C.N.R. have claimed that it is, and it will be for the third arbitrator to mediate between the two.

The public may well demand some guarantee that the board of arbitration will at least be restrained from placing a wholly exorbitant and unreasonable valuation upon the stock. The railway owners know the worst they can expect,—that is, a valuation of zero. There is no such limit in the other direction. Any wild amount that might be agreed upon by the board of arbitration, if unanimously, would have to be paid by the government. This makes the selection of the government's arbitrator a matter of unusually vital importance.

Sir Wm. Mackenzie has been working for years to place the Canadian Northern Railway in a position where its capital stock will be worth par. The road has evidently now reached a stage where he cannot accomplish his aims in the normal way. The road apparently cannot stay out of the receiver's hands if the government withholds aid or purchase, and if the road goes into the receiver's hands the capital stock would likely be wiped out. Under the circumstances, the government's offer to take over the road, and to pay for the stock by arbitration, is a generous one, and Sir Wm. Mackenzie cannot expect to accomplish at one stroke, as a gift from the government, what it would take many more years to accomplish in the ordinary way, if it could be accomplished at all,—that is, making the stock worth par in cash or government bonds. On the other hand, the arbitrators must take into consideration the services which Sir Wm. Mackenzie and Sir Donald Mann have given free of charge in return for their capital stock, and for which they are no doubt entitled to consideration and remuneration.