

Peace River outlet were built, and that is the standpoint I think from which the railway engineers have been looking at this question. I do not think, however, that they have approached the subject in the fairest possible manner. Take, for instance, the third paragraph of the 1925 report, as referred to in sessional paper No. 125:

The 1925 report, in referring to the Peace River district, selected and defined an area and for that area theoretically provided for the so-called "maximum traffic" sufficient railway mileage to serve it. The Canadian Pacific Railway report selected an area for the Peace River district about three times that of the 1925 report, but their investigations were not extended sufficiently to figure on railroading the whole of it, but confined their railway costs substantially to the same area as the 1925 report.

Yet throughout this whole report which I have before me the engineers take the theoretically defined area of 1925, ignoring altogether the 25,000,000 acres as against the 8,000,000 acres. They wipe out in their consideration of the matter two-thirds of what they know to-day to be the Peace River area for possible settlement and development. If that is the way our railways approach the question of railway economics in this country, by ignoring two-thirds of the available facts, it is not much wonder that we have a commission to-day trying to unscramble the railway situation in the Dominion of Canada.

In section four of the report there is a peculiar statement regarding the Canadian Pacific Railway report. I believe that the Canadian Pacific Railway spent about \$200,000 in 1930 surveying the various passes between the Yellowhead and the Alaska boundary. They also made some investigation regarding lands. This report says:

In fact, at least for a considerable part of the larger area—

That is the 25,000,000 acres:

—the definite information depends upon the personal observations of their own engineers on the ground.

I do not know how else they could get knowledge of the land in the Peace River country except by engineers going over the ground. They refer later to detailed information secured by Mr. Crysedale in connection with the land in British Columbia, about 16,000,000 acres, I think. I am quite sure that in an investigation extending, I think a little over twelve months, he did not plough or prospect the 16,000,000 acres, but simply went over the ground the same as the Canadian Pacific Railway engineers, and I think it is a fair statement to make that the 25,000,000 acres of Peace River lands avail-

[Mr. D. M. Kennedy.]

able for development ought reasonably to be considered in connection with a study of the proposed location of an outlet to the Pacific coast. They ought to have considered the 25,000,000 acres instead of the 8,000,000 acres that were defined in connection with the report of 1925.

Just a word on the question of freight rates. As I have already said, we have had four or five reports. I have here a copy of the 1925 report.

Mr. STEVENS: Is that the Sullivan report?

Mr. KENNEDY (Peace River): It is signed by Sullivan, Gzowski, Fairbairn, James and Hill. There are a great many tables worked out in this report to show that hauling grain out of the Peace River country would never pay, and the whole report led up to this conclusion:

There is no hope, even with the existing freight rate of about 39 cents per 100 pounds, for the line to pay even operating expenses on the immediate traffic or on a traffic many times the present traffic.

There seems little hope of the line ever being self-supporting at rates even 50 per cent higher than the present ton-mile freight rate on grain to Fort William for similar distance.

That, approximately, was the rate in existence at the time this report was prepared. In the year 1926 however rates were reduced from 39 cents to about 29 cents on grain moving to Vancouver. During the next two years, with those reduced rates, the Alberta government had charge of the Northern Alberta railways, the railway system serving the Peace River country, and in spite of the fact that in the year 1925 our engineers told us that a railway in that country could never pay, and that an outlet could never pay, in spite of the fact that there were developed less than 1,000,000 acres of land out of a possible 8,500,000 acres, under the management of Mr. Callaghan, the Deputy Minister of Railways in the province of Alberta, the railway company I have mentioned improved its position in those two years to the extent of a million dollars.

At page 497 of the Canadian Annual Review for the year 1928-29 we have the following statement:

The sale of the Northern Alberta Railways to the Canadian Pacific and the Canadian National Railways was ratified by the legislature during the session of 1929. In moving the second reading of the bill for this purpose on February 18, Hon. V. W. Smith, Minister of Railways, reviewed the history of these lines. He stated that in the first full year of government operation, that of 1927, there had been a net operating surplus for all the northern railways of \$303,786.63, as against an operating deficit of \$188,655.34 in the previous year. In