

### Pool Canadian Railroads Into One Big System

#### LORD SHAUGHNESSY'S PRACTICAL REMEDY FOR GRAVE PROBLEM—OPERATION BY C.P.R. UNDER CONTRACT—DEFICITS OVERCOME BY ECONOMIES

Lord Shaughnessy has prepared and given to the public his personal view of the railway problem in Canada, prefacing his statement with the following letter addressed to the Prime Minister: Montreal, April 6th 1921. Dear Mr. Meighen,—National railway affairs are, I am sure, to you a source of constant anxiety. To my mind the railway question, involving as it does such an enormous shift on the annual revenue of the country with no prospect of any improvement in the near future, is the most momentous problem before our country at this time that the Grand Trunk transaction will prove disappointing and expensive, and if it were my case I would go a long way to secure the consent of the Grand Trunk shareholders to the abrogation of their contract and the placing in rough outline my opinion as to the only process through which the atmosphere can be cleared. Some people, whether they believe it or not, will find in my suggestions a selfish desire on the part of the Canadian Pacific to control the railway situation. The Canadian Pacific Agency has served its turn on every occasion in the past thirty-five years, when schemes were promoted with disregard of the cost to the country. The Canadian Pacific has no fish to fry, and I am not sure that my plan would be viewed with favor by the executive directors or the shareholders. Everybody connected with the company would prefer to see its status undisturbed, but it is impossible to accept with equanimity a situation which makes a demand on the public treasury of about \$200,000 per day, without any compensating advantage, if there be any possibility of improving it. My memorandum, as you will observe, merely brings up to date on very much the same lines a similar paper that I prepared about the end of 1917 and sent to Sir Robert Borden. He feared, I imagine, that as a plan would apparently create a Canadian Pacific monopoly in transportation it would not be acceptable to the country. Even if there were foundation for that theory at the time, the current of events since 1917 may be regarded in a decided change of sentiment. I am submitting the memorandum to you with the best intentions in the world for such consideration as you may think it deserves. Yours faithfully, (Sgd.) SHAUGHNESSY. Rt. Hon. Arthur Meighen, P.C. Premier, Ottawa, Ont.

**ONE NATIONAL SYSTEM**  
Lord Shaughnessy's Plan for Canadian Railways  
In 1917 I prepared a memorandum analyzing the railway situation in Canada as it then existed and suggesting a plan of dealing with it, which I read to our Directors and subsequently forwarded to Sir Robert Borden for the consideration of himself and his Cabinet. Evidently my views did not appeal to the Government nor to the advisers from whom the Government at that time received its inspiration on railway affairs. Meantime, conditions have substantially changed. Capital expenditures of considerable amount that might have been avoided have been incurred, and the deficits resulting from the operation of the weaker lines have increased by leaps and bounds, so that the suggestions contained in the memorandum of 1917 would not now be available. It was not my purpose then, nor is it now, to discuss the railway policy of successive Governments, Federal and Provincial, during the past thirty-five years. In most cases the legislation defining the policy received the approval of the electorate at the polls, and therefore if serious and expensive blunders were made we should be prepared to pocket our chagrin and foot the bills with equanimity. We have, however, the obligation to try to discover and develop plans that may serve to relieve the Canadian people from some part of the distressing and dangerous financial results now in evidence and which threaten the future. Canada has now about 40,000 miles of railway lines. Of the lines included in this mileage approximately 37 per cent. earn annually sufficient money to pay all interest charges and to give a return on the share capital; 54 per cent. fail to earn enough to pay their working expenses and are consequently operated at a loss; and 9 per cent. earn interest on some of their major securities but have nothing to apply as dividend on the share capital. Grand Trunk System. Included in the last mentioned is the Grand Trunk Railway System which is international in character, owning or controlling important railways in the United States with terminals at Chicago, Portland and elsewhere. Serving considerable portions of the Provinces of Ontario and Quebec, the Grand Trunk System enjoys a substantial

volume of Canadian traffic, but its international business yields the greater part of its gross revenue. Relieved of the handicap that was imposed by the Grand Trunk Pacific the parent company should, in normal times, be in a position to pay the annual interest on most of its securities that take precedence of the common stock, but a return on the common stock would appear to be exceedingly remote in any circumstances. This railway system is, however, of national importance, and it would be unfortunate from our Canadian standpoint if, hampered by the methods and ambitions of previous managements, the company should be kept in a state of embarrassment and should be prevented from carrying out plans for increased efficiency and economy. It would be still more unfortunate if the Grand Trunk should be placed in a position that would have the effect of destroying, either on sentimental grounds or others, the movement through Canada of international traffic to and from its feeders in United States territory. Even at this advanced stage it would be wise for the Dominion Government to drop all measures looking to the acquisition or control of the Grand Trunk, relieve that company of all obligations in connection with the Grand Trunk Pacific and to grant easy terms covering a period of years for the repayment of any amounts advanced by the Government to the Grand Trunk or secured on the credit of the Government in the last two years. The Transcontinental Line. The National Transcontinental Grand Trunk Pacific scheme of a line from Moncton to Prince Rupert was a deplorable blunder in its inception and execution. Doubtless the Grand Trunk objected to the line from Cochrane east and only yielded under pressure, but the eastern and western termini of the line having been once determined, the Government was, I know, guided by the advice and wishes of the Grand Trunk management that day in fixing the location and standard of construction. It was pointed out that four-tenths grades and light curvature would be necessary for the operation, because of the increased weight of the train that could be hauled over the line by a single engine. The theory was all right. The basic essential was ignored. The traffic was not available for a long period of time to furnish loads for these heavy trains, and therefore the advantages could not be utilized unless the practice were pursued of holding traffic until a sufficient amount was accumulated, with the consequent delay and expense and the dissatisfaction of patrons. A railway quite sufficient to handle the traffic likely to develop for many years could have been built in less than half the time and at a saving of 50 per cent. to 60 per cent. in cost, and as business increased and revenue improved the requisite changes to meet new demands could be carried out in the case of the Canadian Pacific. Recognizing the National Transcontinental portion of the route as a national incubus the Borden Government soon after coming into power relieved the Grand Trunk Company from financial responsibility with reference to it, and the burden fell on the country. Grand Trunk Pacific. The extravagantly constructed Grand Trunk Pacific with its terminal at Prince Rupert proved a most disappointing enterprise, because over most of the route there was no traffic to yield revenue sufficient to meet the interest charges on its mandatory securities, or, indeed, to cover the cost of maintenance and operation, meantime these interest charges, as well as any operating deficits, had to be met at regularly recurring periods, and the Grand Trunk Company could not have shouldered the burden without incurring financial disaster. It was apparent that in the circumstances it would be necessary for the Dominion Government to give relief even to the extent of taking over the Grand Trunk Pacific. This was finally determined upon, but coupled with it was the decision of the Dominion Government to acquire the Grand Trunk Railway System as well. Clearly this was a mistake, as all the advantages that would result to the Grand Trunk Pacific and other portions of the Canadian National Railway could have been secured by a traffic agreement. By its Grand Trunk policy the Government is unnecessarily adding to its burdens, and the Grand Trunk System, as I have stated before, would now and hereafter be a much greater asset to Canada if privately owned and operated than it can possibly be if merged into the National System. While the transfer of the Grand Trunk Pacific to the Government of Canada and the consequent relief of the Grand Trunk Railway Company would appear to be a judgment transaction, it is not with-

out its justification, because when the Dominion Government was framing its policy with reference to the route and character of the line the objections and, indeed, dangers of the policy were frequently pointed out to the Government by those who had the requisite knowledge of the country and the technical experience to entitle their opinion and advice to more consideration than they received. The Government cannot escape its share of the blame. The Canadian Northern. The Canadian Northern System was by over-expansion made a hopeless business proposition. Without wishing to criticize the policy pursued by the company it is evident that the future of the property was founded on the assumption that the prosperity and expansion which Canada enjoyed for a period of eight or ten years would continue to be exceeded in the mileage of the system was increased year by year until the annual interest charges of the company reached a sum out of all proportion to present or prospective revenue. Had the promoters confined themselves to the territory between Lake Superior and Edmonton their venture would have been of advantage to the country and profitable to themselves. Their exploits east of Port Arthur and their expansion were ultimately and disastrously. It became clear that the company must collapse unless kept alive by very large grants from the public treasury. This there could be no justification, and the only other alternatives for the Government were to permit default and liquidation or to take the property over under the terms of the Act of 1914.

The Dominion System. Having become a partner in the enterprise by accepting 40 per cent. of the share capital at a cost to the country of \$57,000,000 in subsidies and guarantees, and being guarantor of the company's securities to a large amount, default and liquidation would have had their disadvantages. While it is probable that in the circumstances the country's interests were best served by the acquisition of the property, it strikes one that the legislature relating to the transaction would have been the subject of less criticism had provision been made for the payment of a very substantial honorarium to the promoters and devoted nearly twenty years of their lives to the establishment and development of the enterprise instead of the creation of a tribunal to determine the value of something that in the minds of the promoters and the public was valueless. With the ownership or control of the Intercolonial, National Transcontinental, Canadian Northern, and Grand Trunk lines vested in the Dominion Government, the Canadian people are now the proprietors of about 17,000 miles of railway, with a capital investment of \$240,000,000, and an annual interest charge of \$23,184,000. In the annual interest charges nothing is included for the Intercolonial and Prince Edward Island Railways, because these have been with us for a period as unproductive and expensive property. The National Transcontinental absorbed in the Consolidated Fund. There is no rolling stock equipment nor are there terminal yards, freight facilities, repair shops or other requirements commensurate with a system of this magnitude, and the cost of providing them will be very great indeed. Operating Revenues. According to the brief return submitted to Parliament a few days ago the operating revenue of the Canadian National Railways, including the Grand Trunk Pacific, for the year 1920 was as follows: From passenger traffic, \$22,713,824; from freight, \$90,982,332. The train mileage was reported to earn this money was as follows: Passenger trains, 13,322,587 miles; freight trains, 24,485,286 miles. In the same period Canadian National earned from its own traffic \$125,738; and from carriage of freight, \$145,308,399; with passenger train mileage 20,538,038, and freight train mileage 26,281,627. It will be gathered from these figures that the Canadian National Railway is out of the question. The Canadian National System is out of all proportion to the revenue, taking the Canadian Pacific as a standard. Were it possible to effect a reduction in train mileage on the National System to earnings same as that on the Canadian Pacific, the saving in transportation alone would represent upwards of \$22,000,000 per annum. This, however, is out of the question, because no shrinkage of train mileage without serious public inconvenience, the great mileage of the National System to be served and the limited traffic available prevent a proper relation between traffic and train miles. It is to be observed, however, that the Canadian Pacific handled traffic representing revenue 71 per cent. in excess of the Canadian National, with an additional cost of transportation of only 13 per cent. This is accounted for to some extent by the greater expense per train mile for transport on the National System. In this unit of operating expenses there would have been a saving of about \$6,500,000 if the Canadian Pacific basis had been reached. Maintenance Costs. Maintenance of way and structures for the Canadian National about \$43,000,000 for 17,000 miles of railway, or an average of \$2,520 per mile. On the same account the Canadian Pacific expended \$32,574,000 on 13,462 miles of railway, an aver-

age of about \$2,480 per mile. Doubtless considerable expenses were involved in bringing to a higher standard main lines of the National System that had been permitted to run down, but so large a percentage of the system consists of unimportant branches with light traffic where maintenance charges should be comparatively low that the average for the whole system would appear to be rather excessive. If it be assumed that destroyed and obsolete cars and locomotives were replaced in accordance with the Canadian Pacific practice, the expenditure for maintenance of equipment was not excessive based on the Canadian Pacific average cost in the same year per locomotive and per car. Taking into account the extent of the System, the traffic and general expense of the Canadian National Railways are not excessive. The very large annual deficit resulting from rolling stock and other lines is to be reduced it must come either from a substantial increase in revenue from traffic or a shrinkage in the cost of operating. If immigration and settlement are restricted by legislation or other conditions, there will in the ordinary course of events be a continuing growth of traffic, but at best this growth is apt to be slow and quite insufficient to make any important difference in the annual results for some years to come. Meanwhile the Canadian people will be compelled year after year to raise, by taxation, sufficient money to meet the appalling annual deficits, unless by legislative means the cost of the maintenance and operation of the National Lines can be brought to much lower figures. This, however, would not appear to be practicable, as the National System engaged in competition for traffic with another very strong railway company would be at serious disadvantage unless in train service, equipment and in other respects it offered the public facilities approaching those obtainable elsewhere.

Reduction of Rates. I have made no reference to the economies that would result from a revision of the schedule of wages and working conditions, which are on a fictitious basis and must be amended, because concurrent with this will be a reduction in the rates for the carriage of commodities that are essential if the country's basic industries are to be stimulated or indeed kept alive. The situation is a serious one and almost hopeless unless some plan can be devised that will promptly and effectively bring to this National Railway System additional financial strength and sustenance. With but one set of shareholders, the Canadian Pacific Railway Company is really the sole proprietor. The shareholders have their railways constituting the Canadian system of over 14,000 miles, with Lake, River and Pacific Coast Steamship Lines, express and other accessories whose income in last year's total of \$216,000,000, and the net revenue of \$33,000,000. And then they have their other assets that are dealt with in a separate account, consisting of their ownership in railway companies in the United States that are under separate management but that interchange traffic with the Company at the frontier, the ocean steamship line, and other interests, all representing a substantial sum from which revenue is derived to supplement the distribution to the shareholders from the proceeds of the railway operations. If by some arrangement with the Company these assets could be segregated and the railway property added to the Government System that I have just described, the System would comprise 31,000 miles of railway with a considerable amount of parallel lines unimportant or useless.

Price to be Paid C. P. R. The consideration to be given the shareholders of the Canadian Pacific Railway Company in exchange for the properties above defined would, I imagine, be in the nature of an undertaking by the Government of Canada to pay to the shareholders in perpetuity a fixed annual dividend on the share capital, to be supplemented by a further payment when the whole property was yielding a specified return. The extraneous assets of the Canadian Pacific would be transferred to and administered by Trustees or by a subsidiary Company with another Board of Government, so that the Directors of the Railway Company would be interested only in the administration of the trust placed in their hands by the people of Canada. There would be no motive for selfishness, if such a thing were possible in the circumstances. The income on their shares being fixed and unchangeable, excepting as above provided, the Canadian Pacific shareholders could receive no advantage from preferential treatment of the Railway System. The Directorate would have every incentive for wise, prudent and business-like administration. Of course there are many details that would have to be worked out, but it is not necessary to refer to them here. Now, having brought these properties together, we are faced with the most serious problem of all, namely, that of administration and operation. Political management would be impossible, because among other reasons policy and management must have the elements of continuity and could not be changed with

each change of Government without ruinous results. While I have great regard for the opinion of my friends, Sir Henry Drayton and Mr. Acworth, I do not agree that their plan of management would eliminate the danger of political interference, because it could be changed at any session of Parliament. My suggestion would be that if an agreement with the Canadian Pacific Railway Company on the lines that I have indicated were found feasible, that Company would be used under the terms of a contract approaching perpetuity in its duration to administer and operate the whole property for account of the Canadian people. I mention the Canadian Pacific because the magnitude, scope and variety of its operations compel a comprehensive organization, and this could be supplemented by judicious selections from the staffs of the other companies to meet the demands of the latter for work. Savings to be Effected. On the returns for the year 1920, the gross earnings of the combined system would be \$342,283,000 and the operating expenses \$345,978,000, a deficit in operation of approximately \$3,700,000. The annual fixed charges of the whole system, including the dividend on Canadian Pacific Preference Stock, would be about \$49,000,000, or a total deficit of about \$51,190,000. Essential expenditures on capital account from time to time will tend to swell these charges, but by the addition of the Canadian Pacific with its rolling stock equipment, its splendid terminals and other facilities, in the use of which the whole system would participate, important expenditures which could not be avoided in other circumstances would be rendered unnecessary. To this amount of \$51,190,000 per annum, of course it would be necessary to add the guaranteed dividend on Canadian Pacific common stock hereafter to be determined, but if we set aside an estimated amount for that purpose the total deficit, including everything, would be approximately \$80,000,000. In the light of these figures present conditions would not be improved, but then we must take into account the saving that would result from the consolidation by the elimination of unnecessary train service and of duplicate work at important terminals and at other points, the restriction of maintenance work on unnecessary duplicate lines; the decrease in general as well as traffic and agency expenditures; the common use of wheel and locomotives, reducing to a minimum capital expenditures on that account with greater economy in the maintenance of equipment and the stoppage of outlay in many other directions.

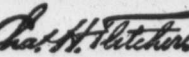
In 1920 the operating cost of the combined system was about 101 per cent. of the gross earnings. The Canadian Pacific cost was 84.7 per cent. of its gross earnings. If the average for the combined system could be brought down to the Canadian Pacific level it would represent a saving in the cost of operating of about \$56,000,000 per annum. There would still be a deficit of \$24,000,000 per annum, but for a number of reasons this would not be an expensive year and see no reason why the operating ratio should not be brought as low as 80 per cent. at most, which would reduce the total deficit to eleven or twelve million dollars. To catch up with this a growing volume of traffic would have to be relied upon, but with immigration settlement and development this should come in gradual stages, and the saving to the country in the meantime would be very large. In connection with these transportation matters there are sure to be miscalculations and disappointments, but the consolidation that I have outlined above would appear to be the most logical and economical policy. Besides the National Railways, Canada would then have an Intercolonial system consisting of the Grand Trunk, Canada Southern, Toronto, Hamilton & Buffalo, and Pere Marquette Railways of 4,600 miles, and other lines of local or provincial character. These latter lines may well be sold to the province of their own salvation, and if they require aid, the provinces, having been relieved of their major liabilities under their guarantees, can well afford to give it. I am not giving expression to these views as chairman, director or shareholder of the Canadian Pacific Railway Company, and it is quite possible that neither my fellow-directors nor the shareholders would be in accord with the Canadian Pacific, with its low capitalization and capacity for securing and handling a vast volume of traffic, should as time passes yield a larger return to its owners than at any time in the past, and about this there is little room for doubt, but with a satisfactory annual dividend guaranteed in perpetuity by the Canadian Government the shareholders could probably be induced to forego their speculative benefits, as their shares would then have the security and stability of Government bonds. It is my sole purpose to assist if I can in the solution of what is beyond doubt the most serious and menacing problem that faces our country, and to frankly outline the policy that I would adopt and carry into effect if the responsibility were upon me to act as the representative and trustee of the Canadian people in safeguarding the present and future railway transportation interests of the Dominion, and in endeavoring to stop, or at any rate minimize the vast demands on the treasury and the credit of the country that are pretty sure to be made yearly if the present policy is continued.

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### CASTORIA

For Infants and Children  
Use For Over 30 Years

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### CROP REPORT OF PROVINCE OF N.B.

Ideal weather for seeding prevailed during the month of May and farm work proceeded very rapidly. Planting of potatoes was quite generally

completed by the 28th, and the sowing of coarse grains, with the exception of buckwheat, by the 31st. Sowing of turnips, buckwheat, corn and soiling crops will be completed by mid-June. The rainfall was very light, being only 0.88 (ninetenths) inches at the University Observatory. Frost was recorded on several nights, though

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### THIS WOMAN'S RECOVERY

Shows Remarkable Restorative Power of Lydia E. Pinkham's Vegetable Compound.

Chester, Ont.—"Before using Lydia E. Pinkham's Vegetable Compound I was a total wreck. I had terrible pains in my sides and was not regular. Finally I got so weak I could not go up stairs without stopping to rest half way up the steps. I tried two doctors but they did me no good. I saw your medicine advertised in the newspapers and thought I would give it a trial. I bought four bottles of the Vegetable Compound and was restored to health. I am married, am the mother of two children, and do all my housework, milk eight cows, and do a hired man's work and enjoy the best of health. I also found Vegetable Compound a great help for my weak back before my babies were born. I recommend it to all my friends who are in need of medicine, and you may print this letter if you wish."  
—MRS. HENRY JANKE, R. R. No. 4, Chesley, Ontario.

It hardly seems possible that there is a woman in this country who will continue to suffer without giving Lydia E. Pinkham's Vegetable Compound a trial after all the evidence that is continually being published, proving beyond contradiction that this grand old medicine has relieved more suffering among women than any other medicine in the world.

### SUNNY CORNER

Sunny Corner, June 4—Mrs. Frank McFarlane, Chatham spent the weekend here.

Miss Ida Mullin has gone to Red Bank for a few weeks.

The many friends of Miss. M. A. McDonald will be sorry to hear that she is seriously ill.

Miss B. Mullin was in Chatham on the 27th.

Mrs. Miles McAllister and little son Gerald were the guests of the former's mother on Sunday.

Miss Verna Hare, Curventon is spending a few weeks at the Corner.

Mrs. W. Matchett was in St. John for a few days last week.

Mr. Perley Mullin is erecting a trim little cottage quite near the Blacksmith shop.

### A Desire To Eat What You Want

Stomaches Can be Restored to a Healthy Condition.

Not to be limited in diet, but to eat whatever he pleases is the dream of every man. No one can honestly promise to restore any stomach to this happy condition, because all people cannot eat the same things with equal satisfactory results. But it is possible to so tone up the digestive organs that a pleasing diet may be selected from articles of food that cause no discomfort.

When the stomach lacks tone there is no quicker way to restore it than to build up the blood. Good digestion without rich, red blood is impossible and Dr. Williams' Pink Pills offer the best way to enrich the blood. For this reason these pills are especially good in stomach trouble attended by thin blood, and in attacks of nervous dyspepsia. Proof of the value of Dr. Williams' Pink Pills in cases of indigestion is given by Mr. John A. McDonald, Tarbot, N. S., who says: "Every sufferer from indigestion has my heartfelt sympathy, as I was once myself a bond slave to it. Eating at all became a trial, and as time went on I became a mere skeleton of my former self. I took all sorts of recommended medicines, doctors' and advertised, but to no avail. Then a friend said to try Dr. Williams' Pink Pills. I got a box and I thought before they were done I could feel a change. Then I got six boxes more, and by the time they were used I was eating my meals with regularly and enjoyment. My general health is now good, and it is no wonder that I am an enthusiastic advocate of Dr. Williams' Pink Pills."

You can procure Dr. Williams' Pink Pills through any dealer in medicine or they will be sent you by mail at \$1.50 cents a box or six boxes for \$2.50 by writing direct to The Dr. Williams Medicine Co., Brockville, Ont.

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