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JAS. J. SALMOND
President and General Manager

A. E. JENNINGS
Assistant General Manager

The Government and the Canadian Railways

*Review of Relations of Government With Canadian Roads—The
Railway Commission Report—Neither Majority nor Minority Report
Acted Upon—General Favor Towards Government Ownership.*

By W. T. JACKMAN, M.A.

A PART from the prosecution of the war with vigor and determination, there is probably no issue so important for the welfare of the country as the proper solution of the present railway problem. The railways are so intimately related to all aspects of the nation's life that the well-being of all classes is affected vitally by the immediate and final steps taken by the government in connection with them. Upon the wisdom and impartial judgment of legislators in dealing with the railways will depend the progress which Canada is to make in the future, both in economic advance and in social amelioration. A false step taken now and perpetuated for years to come would mean the imposition of a barrier to the development of the country which could not be overcome even by the enterprise and initiative of the people; and it is only as the people are aided adequately by such agencies as the railways that they can give effect to their spirit and determination to build up a great nation with the help of our abundant natural resources. But if the channels of expansion, both extensive and intensive, should be obstructed by a system of transportation which did not readily respond to the growth of industry and trade, progress would be hampered inevitably by the organized impediment of an element which did not accord with the onward advance. It is within the power of the government, by acting upon an enlightened and intelligent view of the subject with reference to the long-time results, to aid in the upbuilding of the country; and, on the contrary, by acting upon the advice of political favorites or certain financial interests, or by surrendering judgment to the expediency of votes, it may embark upon a policy which would stifle the national growth.

What is the situation with which the government has to deal? The immediate issue is concerned with the financial condition of all the railways except the Canadian Pacific. In the years preceding the war, Canada was enjoying a period of abounding prosperity and the whole atmosphere was surcharged with this exuberance. The great western provinces were going ahead with unexampled success, and population was entering upon the prairie agricultural lands in great numbers. For some years, real estate was subject to an intense boom. Villages, towns and cities were springing up with almost fabulous rapidity, and property values were greatly inflated. With such a high wave of apparent prosperity,

both East and West shared in the view that a great future awaited the country. The increase of the agricultural products was alone taxing unduly the facilities of the existing railways, and it is no wonder that the railway companies, in the face of such unparalleled expansion of traffic, saw the necessity of adding largely to their mileage and their equipment. The Canadian Pacific had already a fairly complete network of lines in these western provinces as well as in the east; and its roadway and equipment, including its terminals, were being improved and increased as fast as this could be effected by its efficient management.

Another network of roadway had come into operation in the West under the Canadian Northern Railway Company's management. It, too, had been expanding rapidly, with the object of caring for the increasing volume of business that was offered by the prosperous communities in that section of the country; but in order to become most successful this railway system found it necessary to get communication with a port on the Pacific and to get access to the important commercial cities of the east, including an Atlantic port. Accordingly, it entered upon the ambitious scheme of becoming a second transcontinental line, by constructing its road through British Columbia to Vancouver and by building from Winnipeg eastward to Montreal, with the erection of suitable terminal facilities for the growing traffic. In 1913 the federal government granted the company a subsidy and in 1914 the officials, then in need of more funds for the completion of the lines and terminals of the road, presented their case to the Dominion government and asked the latter to guarantee the company's bonds. The government acceded to this request up to the amount of \$45,000,000 of bonds, upon receiving in return \$40,000,000 of the company's stock and upon the assurance that the returns from the sale of these bonds together with the funds which the company had already available would be sufficient to complete the enterprise. But the unforeseen conditions and depression due to the war upset the company's calculations; its revenues were not large enough to meet its fixed charges and provide for betterments and increased equipment; and in the year 1916 it was necessary for the government to come again to its assistance and make a contribution to keep the company from defaulting in its interest payments and thus prevent it from going into a receivership.