

Canadian Railway and Marine World

June, 1917.

Reports of the Board Appointed to Enquire into the Canadian Railway Situation.

The reports of the board appointed by the Dominion Government in July, 1916, to enquire into the railway situation in Canada were submitted to Parliament on May 2. The reports, with appendices, make up a book of 191 pages, 6½ x 9½ in. The board as originally appointed consisted of A. H. Smith, President, New York Central Rd., New York; Sir Henry L. Drayton, Chief Commissioner, Board of Railway Commissioners, Ottawa, and Sir George Paish, of London, Eng. formerly editor of *The Statist*. Sir George Paish having resigned, on account of inability to undertake the work, W. M. Acworth, of London, Eng., a college lecturer and author of some works on railway subjects, was appointed in his place. The three members of the board presented a brief report, which after reciting the matters to be enquired into says:—

In Sept. and Oct., 1917 two of the commissioners, the Chairman, A. H. Smith, and Sir Henry Drayton, spent some weeks inspecting the railways, travelling upwards of 10,000 miles, visiting all important points from Halifax to Vancouver and Prince Rupert, and taking the opportunity of meeting and conferring with many representative citizens. We desire to express our appreciation of the manner in which the officers of the various companies facilitated our journey and assisted us to obtain a knowledge of local conditions. We have had a physical examination made, in such detail as circumstances have permitted, of the Canadian Northern and the Grand Trunk Pacific Railways, by a corps of engineers under the supervision of Prof. Swain of Harvard University and the Massachusetts Institute of Technology. In addition to the information which we have obtained from our own enquiries and inspections and those of our staff, we have received voluminous reports and statistics from the different companies in reply to our enquiries on specific points. Two of our number have held formal hearings in Toronto into the affairs of the Canadian Northern Ry. Co., and in Montreal into the affairs of the Grand Trunk and Grand Trunk Pacific Companies. Since Mr. Acworth's arrival we have frequently met in Ottawa and in New York for discussion of the remaining matters referred to us. We have taken the situation as it is, and find ourselves in agreement as to the necessity for constructive aid to bring the railways through the present crisis. We differ, however, as to the extent and method of government help desirable, and as to the increase and character of government liability and interest now and for the future. It has, therefore, been found necessary to submit a report of the two concurring commissioners, with a brief statement of the minority recommendation.

THE DRAYTON-ACWORTH REPORT.

The report signed by Sir Henry L. Drayton and W. M. Acworth, covers 82 pages of the book, in which the subject

is dealt with under the following headings:—

1.—Canadian Railways—Mileage, capital, and state aid; apportionment of mileage; revenue, gross and net; investment in road and equipment; return on capital; government aid in general—to Canadian Northern, to Canadian Pacific, to Grand Trunk, to Grand Trunk Pacific; total public investment; proportion of public investment; growth of Canadian railways.

2.—The Grand Trunk System—Grand Trunk Pacific finance; Grand Trunk liability for Grand Trunk Pacific; Grand Trunk Co.'s proposal; the Grand Trunk case; inception of the National Transcontinental; letter from the President of the Grand Trunk; hearing of Grand Trunk officials at Montreal; Grand Trunk Pacific case; commissioner's conclusions; the parent Grand Trunk Co.; Grand Trunk maintenance expenditure; Grand Trunk capital expenditure required; effect on Canadian business; commissioner's recommendation.

3.—The Canadian Northern System—Position in 1914; annual report for 1916; estimates for 1914 and 1917; comparison with Canadian Pacific; prospective requirements of Canadian Northern; value of Canadian Northern undertaking—cash investment, physical basis, going concern; conclusion as to Canadian Northern.

4.—Possible methods of public control—Government operation discussed and rejected; the Canadian Pacific position one obstacle; further reasons against government operation; receivership discussed and rejected; transfer to a new body recommended; suggested transfer of all the railways to the Canadian Pacific discussed; suggested transfer of the whole or a portion of Canadian Northern to Canadian Pacific discussed; possibility of forming a commercial company discussed—the Mexican precedent, the New York Subway precedent; Canadian railways should be under Canadian control.

5.—The Dominion Ry. Co.—Government operation not recommended; recommendation of independent board of trustees; constitution of board, and tenure of office; board to be non-political; board to be permanent and self-perpetuating—Australian experience; railways not a proper subject for direct parliamentary control; growth of extra-parliamentary functions of the state; private interests and public interest; control of Dominion Railway by Railway Commission; relation between trusts and their employes; incorporation of the Dominion Ry. Co.; Transfer of stocks to trustees; the Canadian Northern shareholders; charges of misappropriation unfounded; Canadian Northern successes and failures; arbitration recommended; the Grand Trunk shareholders—terms of purchase recommended, real value of Grand Trunk property; the Intercolonial and National Transcontinental—transfer of National Transcontinental recommended, transfer of Intercolonial recommended (in the

local interest, in the general interest, in the interest of good management), minor recommendations, legal position of trustees; operation and finance of Dominion Ry. Co., operation to be on a commercial basis, wide powers to be given to trustees, financial responsibility of government, prospects of Dominion Railway, specimen economics resulting from combination.

6.—The Dominion and the provinces—publicity—general—Railway Commission control; Commission to report on charters, and on subsidies and guarantees; overlapping of Dominion and provincial control; audit and publication of accounts; railway councils; railways in excess of existing requirements; highway improvement; the Hudson Bay Ry.; steamship connections; tendency of railway rates to rise; necessity for immediate action.

Sir Henry L. Drayton and W. M. Acworth summarize their conclusions and recommendations as follows:—

The mileage of Canadian railways is very great in proportion to the population of the country. It has increased out of proportion to the increase of population. Canada's natural waterways make railways less absolutely necessary than in other countries. The net return is so low as to prove that more railways have been built than can be justified on commercial grounds under present conditions.

The public investment in railways is very large. The total amount of public capital involved in direct construction of Government lines, and cash aid, land grants and guarantees to private companies, is \$968,451,000, not counting the value of lands still unsold. Public aid to the principal companies, including subsidies, land grants, and guarantees, amounts to over \$680,000,000. In the case of the Grand Trunk Pacific it amounts to nearly two thirds of the total investment; in the case of the Canadian Northern to over three quarters. There have been three phases of company development: unaided enterprise, assistance by subsidies and land grants, assistance by guarantees. A guarantee policy is dangerous and its wisdom questionable. The development of Canada justified two transcontinental lines. It did not justify three. The Grand Trunk and Canadian Northern should have been amalgamated.

The Grand Trunk Pacific system has cost nearly \$200,000,000. The interest charges amount to over \$8,800,000 a year. The net income last year was \$826,653. The liability of the Grand Trunk Co. for interest amounts to over \$5,000,000 a year at present, and will rise to over \$7,000,000 in 1923. We cannot recommend that the Grand Trunk Co. be unconditionally released from their liability. The responsibility for the National Transcontinental line rests mainly with the Government, but that for the Grand Trunk Pacific proper belongs primarily to the Grand Trunk. The Government has voluntarily relieved the Grand Trunk of all responsibility for the National Trans-