

Grand Trunk Pacific in Government Hands

Management, Unable to Meet Further Payments, Turns Road Over to Dominion Government as Principal Creditor—Minister of Railways is Receiver—Operation Continuous — Grand Trunk Acquisition Problem Now Accentuated.

ON March 9th, the Grand Trunk Pacific Railway was taken over by the Dominion Government as a consequence of a notification received from the management of the road a few days previous to the effect that it was no longer able to meet its financial obligations. Hon. J. D. Reid, minister of railways, was appointed receiver, and operation of the road did not cease. The following official statement was issued:—

"Hon. J. D. Reid, Minister of Railways, has been appointed receiver of the Grand Trunk Pacific Railway System. The appointment follows an official notification which Sir Thomas White received on Thursday from the vice-president of the Grand Trunk Pacific Railway Company—a notification that, in view of the fact that the increased rates applicable to the Grand Trunk Pacific Railway have not been sufficient to meet the increased operating expenses, it would not be possible for the company owing to lack of funds, to continue its operation beyond March 10th.

"In view of this notification, it became necessary that the government should, in the public interest, immediately take steps to insure the continued operation of the system. Under existing legislation this could not be accomplished by an application to the courts for the appointment of a receiver. The war measures act, however, was found to provide adequate authority for action by the government, and consequently an order-in-council was passed appointing the Minister of Railways receiver of the Grand Trunk Pacific Railway System, which includes the branch lines, telegraph, steamships, hotel and development and other companies. Mr. W. P. Hinton, general manager of the Grand Trunk Pacific Railway System, has agreed to conform to the requirements of the order, and to facilitate the carrying out of the powers and duties required of the minister as receiver. The immediate object of the order, viz., to prevent interruption in the operation and management of the system, has therefore been already attained.

"An important feature of the order-in-council is that which preserves to the government any other and ultimate remedies which it possesses under the provisions of trust mortgages securing issues which it has guaranteed or otherwise as creditors of the system. Similarly, the rights and remedies of other parties are not interfered with by the order.

"The acting prime minister will on Monday make a full statement to the House respecting the matter. He will lay upon the table a copy of the order-in-council, and read the correspondence leading up to and connected with the action taken by the government. Legislation will be at once introduced for the purpose of obtaining the sanction of parliament to what has been done.

"In February the government informed the officials of the Grand Trunk and the Grand Trunk Pacific Railway Companies that it was not the intention of the government to ask parliament to provide a further vote for the Grand Trunk Pacific Railway while the negotiations with the Grand Trunk Railway 'remain in their present unsatisfactory condition.'"

The Order-in-Council

On Monday the acting premier laid upon the table of the House the order-in-council appointing Hon. J. D. Reid as receiver of the railway, and also stated that a bill would be shortly introduced validating the action of the government. The war-measure order-in-council recites the fact that last year \$7,500,000 was voted by parliament to secure the continued operation of the line, and that this purpose would be defeated should the company suspend. It next quotes the letter of Mr. F. Scott, vice-president and treasurer. Reference is made to the need of the service for the

conveyance of passengers, returned soldiers, freight and the country's commerce, and the authority of the war measures act is cited.

The minister of railways is appointed receiver, and on the authority of the exchequer court he is empowered to issue receiver's certificates, which are to have priority over other claims. They are a first charge on the revenues. There is a further technically worded provision whose purpose is to maintain intact the rights now possessed both by the government and the holders of bonds guaranteed by the company as well as maintaining the obligations of the company. If the Grand Trunk should default on future bond interest, the right of the bond holders to apply to the exchequer court for a receivership is fully maintained, but the present receiver is entitled to be heard, having regard to the public interest involved. Rights of seeking foreclosure and other privileges of the bond holders are continued. Heavy penalties are provided for any officers or employees who should fail to exercise their functions as directed by the receiver. Borrowings by the receiver from the consolidated fund are authorized. All the books for the transfer of Grand Trunk Pacific are to be closed. The order embraces not only the Grand Trunk Pacific, but all the branch, subsidiary, hotel, steamship and development companies. The operation by the receiver is to be wholly distinct from the national railway system.

Position of the Grand Trunk Pacific

The Grand Trunk Pacific Railway Company was chartered in October, 1903, by the Dominion of Canada to construct a railway from Moncton, N.B., through the cities of Quebec and Winnipeg to Prince Rupert, B.C. The total length was to be 3,549 miles, exclusive of branches. The section from Winnipeg to Prince Rupert is complete and is owned by the Grand Trunk Pacific. According to an act passed in 1903, known as the "National Transcontinental Railway Act," the Canadian government was to construct the eastern division of the Grand Trunk Pacific. This line from Moncton to Winnipeg has also been completed.

The mileage actually taken over is, therefore, 1,746. The new arrangement will not alter the responsibility of either the Grand Trunk Railway Company or the government under existing mortgages or guarantees of bonds. The Grand Trunk Railway Company has long been anxious to rid itself of its obligations in respect of the Grand Trunk Pacific. As long ago as December, 1915, Chairman Smithers, writing to the prime minister, asserted that the Grand Trunk would find it quite impossible to meet the extra liabilities arising from the Grand Trunk Pacific Company. He proposed that the Grand Trunk Railway should retire altogether from the transcontinental enterprise and that it should transfer to the government the twenty-five million dollars' worth of Grand Trunk Pacific common stock it held. In return, he contended, it should be relieved of all liability for interest upon Grand Trunk Pacific bond issues and for all deficits in Grand Trunk Pacific operation, and should be repaid any money advanced to the Grand Trunk Pacific Railway Company or its subsidiary corporations. This proposition the government did not accept. Later it did open negotiations looking to the absorption into the government railway system of the Grand Trunk and the Grand Trunk Pacific on the basis of an annual payment computed upon the average for a period of years of dividends paid upon stock issues of the Grand Trunk Railway Company other than the common stock.

The Grand Trunk Railway and its branch lines, according to the Drayton-Ackworth report, in the year ending December 31st, 1916, showed a net income on operation of