them over and develop another and a vaster and more expensive Intercolonial.

15. Conditions for the formation of such a company are much more favorable than they were in 1880, as western Canada had not then been proven, as it since has been, to be capable of supporting a large and prosperous population.

16. Such a combination would start with gross earnings of at least $100,000,000 per annum, with a probable average increase of 8 per cent. per annum, and probable net earnings of from $25,000,000 to $30,000,000 per annum, and a net revenue from other sources of about $2,800,000.

17. Its fixed charges at consolidation would be about $35,000,000, and it would be under the necessity of spending, in the first five to seven years, at least $100,000,000 to provide rolling stock and to put its properties in good physical condition.

18. Deficits for some time to come would be inevitable, owing to the heavy fixed charges amounting to about $35,000,000, as compared with $10,300,000 per annum for the Canadian Pacific.

19. As these high fixed charges are caused by the excessive cost of government construction and by duplication of lines, bonused and guaranteed by the government, Canada must pay them.

20. The fixed charges would be at least $15,000,000 less with one private system than with two, and very much less with private than with government management.

21. With such a combination as has been outlined, the series of deficits should not last more than five to ten years, after which the road should be very successful.

22. In order to control its policy, and to share in its certain prosperity, Canada should have an interest in the new company. The Dominion government should furnish 40 per cent. of the money required, own 40 per cent. of the stock, and appoint 40 per cent. of the directorate, but take no part in the actual management. This would give all the advantage of government control without any of the manifest disadvantages of government management.

23. Once this combination was successful, Canada should once and for all abandon the vicious policy of bonusing railway construction, either by gifts of money or land, or by the still more vicious policy of guaranteeing the bonds of railway companies of which it has no direct control.

The reasons for arriving at the foregoing conclusions are set out as follows:—

Canadian Railway Problem.—The Canadian railway problem is mainly connected with the Transcontinental railways. The Canadian Northern and Grand Trunk Pacific Railway Companies have reached a point where it is not possible for them to pay their fixed charges, or to finance their obligations. As the various Canadian governments have guaranteed the greater portion of the bonds sold to provide money for their construction, it is necessary for the government to either take them over, very largely aid the companies, or find some other method of solving their difficulties. The National Transcontinental, built and operated by the government, does not earn operating expenses, let alone fixed charges.

Financial Conditions of the Railways.—In order to arrive at a clear understanding of the problem, it is first necessary to briefly set out the financial situation of each company concerned.

Canadian Pacific.—The Canadian Pacific extends from St. John, N.B., on the east to Vancouver on the west. Its mileage is made up of:—

Main Line, Montreal to Vancouver	2,899 miles
Other lines, branches, etc.	10,094 "
Total	12,903 "

The annual report for the year ended June 30th, 1916, shows the following financial results on its operation for the year:—

Gross earnings	$129,481,885
Working expenses	80,255,965
Net earnings	49,225,920
Fixed charges	10,306,196
Surplus	38,919,724
Surplus revenue	36,871,435

In addition it had:—

Other income	$ 9,940,964
Making the total available for dividends	46,812,390

Grand Trunk System.—The Grand Trunk system extends from Quebec and Portland on the east to Chicago on the west, and to North Bay on the north.

Its mileage consists of:—

Miles of roadway	4,792 miles
Second track	1,060 "
Total	5,853 "

The annual report for the year ended December 31, 1915, shows the following results for the system:—

Gross receipts	£10,379,493
Working expenses	8,289,476
Net traffic receipts	2,090,017
Net revenue	2,540,701
Total fixed charges	2,030,017
Surplus for year	510,684
Equivalent to	$ 2,487,031

Grand Trunk Pacific.—The Grand Trunk Pacific extends from Winnipeg on the east to Prince Rupert on the west. Its mileage consists of:—

Main line	1,746 miles
Branches	1,009 "
Total	2,755 "

The financial results of its operation for the year ended June 30, 1915, as shown by Railway Statistics of the Dominion of Canada, were as follows:—

1915.

Gross earnings	$6,660,584
Operating expenses	7,383,665
Operating loss	723,081
Total net loss	626,940
Fixed charges	6,385,604
Which would make total loss for year	7,012,544

In the Railway Statistics, from which the foregoing were taken, the fixed charges of the Grand Trunk Pacific (alone of all the private-owned roads) are not given. The bonds outstanding for the year ended June 30, 1915, are given as $168,405,710.

It is understood that of these outstanding bonds £7,200,000 bear 3%, the balance 4% interest, which would make the fixed charges as shown.

National Transcontinental Railway.—The National Transcontinental Railway extends from Moncton on the east to Winnipeg on the west. Its mileage consists of:—

Main line	1,799 miles
Branches	194 "
Total	1,993 "

The road has only been operating from Moncton to Winnipeg a little over a year, and the financial results of its operation, for the year ended June 30, 1916, have not as yet been published.

It is believed that its gross earnings are about $6,000,000, and that its operating expenses are in excess