that because the Prussian railways have been operated with success by the state, the Canadian railways could be equally successful under state administration, is to leave out of account a great many differences between the two peoples which vitally affect the result. Some are pointing to Australia as a country closely akin to ourselves, and are saying that since the government in that country is successful in operating the railways it is giving an entirely erroneous opinion to say that government railways in this country would not be equally efficient.

Perhaps it will not be amiss here to quote the words of Mr. Acworth, the most eminent English authority, who has had a place upon our Canadian Board of Inquiry, who recently said, concerning the English railways: "Now, I am no foe of government railways. On the contrary, I believe that in countries with a population less self-reliant than our own, such a policy is necessary. In a country with a bureaucracy as well-trained and as well-organized as that of Prussia, it may even be desirable. Nay, more, I am not concerned to deny that even here state purchase might do something to bring up the worst railway services more nearly to the level of the best. But a careful study of the evidence has convinced me that in the long run state control ends in keeping down the best to the level of the worst, and that, taking them all for all, the private railway companies of England and the United States have served the public better than the gavernment railways of the Continent, or of our Australian colonies, and, which is still more to the point, are likely to serve it better in the future."

There seem to be good reasons, one may almost say overwhelmingly good reasons, for adherence to the principle, which has proved so effective hitherto, of private ownership of the facilities.

Enough has been said regarding the general features of these two methods of administration. What are the remedies for our existing difficulties?

It will be conceded that the chief trouble in connection with the railway problem is financial, and that when considering this problem exception must be made of the Canadian Pacific Railway Company, which is one of the strongest railway corporations of the world. The immediate issue comes in regard to the Grand Trunk Pacific in its relations with the National Transcontinental and to the Canadian Northern Railway. Both of these concerns have recently been before parliament seeking assistance to enable them to pay their fixed charges; it is, therefore, clear that their revenues are insufficient to meet all necessary expenditures of roads that are endeavoring to keep pace with the demands of a growing country. Two possible courses are suggested as alternatives in the present temporary emergency: either increase the amount of revenues by an increased volume of traffic or by increased rates, or else reduce the expenses of operation so as to make expenditures correspond with revenues. The former plan seems impracticable for until these railways can get additional funds they cannot construct branch lines and feeders that will provide increased traffic and revenues, nor would increased rates tend to develop traffic and cause enlarged revenues. The only other course, therefore, which is open to them is to devise some plan by which these lines can reduce their working expenses.

As has recently been pointed out by Engineer W. F. Tye, of Montreal, in a paper read before the Canadian Society of Civil Engineers, the Grand Trunk system has a great network of paying lines in the east but only one long through line with almost no important branch lines as feeders in the far west. On the other hand, the Canadian Northern system has a network of branches in the west but is deficient in the east. His plan, therefore, was to consolidate the Grand Trunk system (including the Grand Trunk Pacific), the Canadian Northern system and the National Transcontinental under a new company to be formed. In this way there would be the formation of one consolidated company, to which each of these systems would contribute its elements of strength; each would supplement the other where it was weak; and in the combination of the assets of these various companies there would be the elimination of destructive competition and the working together of all for the national welfare. His plan is admirably delineated and is an important contribution to a vexing question.

I am convinced that the holding company is by far the better solution of the perplexity. I am heartily in accord with Mr. Tye in urging the desirability of the government's owning a certain proportion of the stock of the controlling company, say, 35 or 40 per cent., but it seems to me that instead of a complete fusion of all these companies for permanent operation, equally good results can be accomplished in a more economical manner by the holding company.

The holding company would pay for the stock acquired by the issuance of its own securities. The result would be a single company, the assets of which would be the securities of the other three companies, and the liabilities would be the amount of its own securities issued in payment for its assets. In this way, the existing corporations would be left in full possession of their corporate facilities and exercising all of their lawful corporate activities; but the affairs of all three would be placed under the permanent direction of the company owning the controlling interest in each, and thus there would be harmonious action on the part of all. That is, a new company would be chartered by the Dominion government with authority to hold the securities of other companies; this company would proceed to acquire a controlling interest in the stock of the Grand Trunk system, the Canadian Northern system and the National Transcontinental, and in this way competition among these companies would be prevented.

Offer to Exchange Securities.

What advantages would be secured by this form of organization, and why should we advocate this method of bringing these three concerns together? If an effort were made to bring these companies into a consolidation, it might be nullified by the refusal of certain stockholders to give up the separate existence of their companies; but by this method the separate companies would be maintained as operating units in the same capacity as they are to-day. The holding company need only secure in the open market or by private bargaining a controlling amount of the stock of each constituent. This negotiation may take the form of an offer to exchange the securities of the holding company for those of the operating company. It seems fairly certain that if the stockholders of the three companies that are now separate were shown the advantages to be obtained through such an alliance there would be no trouble in inducing their acceptance of the plan.

In financing the transaction there would be no necessity of getting together a vast amount of new capital. All that is required in the purchase of such stocks is to exchange the securities of the holding company for them, and as a bare majority, say, 51 per cent., of the stock is usually enough to control the corporations, the amount of capital required would be reduced to a minimum. If the