

schemes or protracted disputes. Therefore, I beg to make the following suggestions:—Amend the regulating policy so that the Board of Railway Commissioners may have jurisdiction over all railways in the matter of maximum and minimum rates, the issuance of securities, the building of new railways, or the extension of lines, and other matters properly within the scope of governmental supervision. Create a board of trustees, consisting of two government officials and three private citizens, to act for the government in the matters hereinafter proposed.

Relieve the Grand Trunk Ry. Co. of its obligation to lease the Transcontinental, and require the company to relinquish all claims upon the Transcontinental; require it to lease to the board of trustees the Grand Trunk Pacific Ry. properties at a rental amounting to the net annual fixed charges; require it also to take under lease the Canadian Northern properties east of North Bay and Parry Sound, and pay as a rental the net fixed charges on those properties. The lease should be for 21 years. The Grand Trunk's investments, other than railway, in the west may be disposed of by the company as it may elect, and in accordance with its best interests.

Require the Canadian Northern Ry. Co. to confine its operation to the field west of Winnipeg. Relieve it of the line east of Winnipeg by leasing for 21 years to the governmental board of trustees, at a rental of the net annual fixed charges. Require it to take a lease of, and to operate for the same period the Grand Trunk Pacific Ry., and its branch lines, paying as rental the net annual fixed charges upon those properties; except that until seven years after the end of the war they shall have the immunity that was promised the Grand Trunk Pacific for a period of seven years after construction, and that they shall not be required to assume any of the extraneous investments of the Grand Trunk System in the west.

Lease the lines between North Bay and Winnipeg (except the Canadian Pacific's) for 21 years to either the Canadian Northern or the Grand Trunk (or, in event neither applies, to any other qualified company), requiring the lessee to furnish the necessary capital for new equipment, and to maintain and operate the lines on the best terms that can be made; terms that would give the best service needed at lowest cost to the government being regarded as best. Either the government or the lessee should build a connecting line of about 30 miles near Long Lake, Ont., to protect the better working of the two lines. The government and companies should have the option of terminating, after 10 years, any of the leases upon equitable terms.

The foregoing recommendations are made with a view to obtaining for Canada maximum of efficiency at a minimum outlay. The continuance of government aid, to some of the railways at least, will be necessary under any plan. The plan herein proposed seeks to reduce this to the lowest possible point and to centralize it upon those parts of the existing lines which are not self supporting, and which, in the nature of things, cannot be self supporting for years. These connecting links, "bridges," as they have been called, exist, it seems to me, as a result of that public policy which has been discussed at some length. The government may well afford to take them over and maintain them as necessary parts of the public investment in the country's development. They are not of sufficient importance to

bring about those dangers inherent in government operation of this kind on a large scale, and holding them will not endanger private enterprise. It may be necessary in working out this plan to grant some additional and temporary aid to the Canadian Northern, and it will be necessary to effect some compromise with the Grand Trunk Ry. Co. which will enable this company to continue. Aid should be extended upon the recommendation of the board of trustees, who should be charged with the duty of investigating the need of and approving the aid to be rendered by the government; they should also see that the government receives for that aid such security as will give it a reversion in case of default.

The recommendations here submitted are to be considered as a general outline of what appears to be a fair solution of the transportation problem. Enabling legislation will be required in any case, and I realize that there are many technical and legal questions which will require careful attention at expert hands. If the general plan is adopted, my thought is that the board of trustees which I have suggested be charged with the duty of acting for the government in all matters requiring new contracts, and shall protect the interest of the government in every way while leasing, operating, or financing the property under their care to the best advantage, due consideration being given to the rights of the other parties at interest.

If for any reason it should prove inexpedient to carry out the foregoing suggestions, and if the government should find it wise or necessary to possess itself of, and to hold any considerable part of the railway properties, I should recommend as an alternative plan the formation of a private company to take over other operations of those properties, either as a whole or in groups. Even where a road does not earn its fixed charges the government could profit in the long run by making the terms of an operating lease sufficiently attractive to induce private enterprise to undertake its management. The terms of the contracts would naturally depend upon the extent of the property and the prospect of earnings, but they could be so drawn as to prove attractive to private capital and at the same time relieve the government of the expense and embarrassment of government operation. Such contracts might be based upon a profit sharing plan on a fair basis, which would leave the company a hope of reward commensurate with its efforts and give the public also a share in the prosperity which they must help to create.

I should like to add one other thought. The railways of Canada are in desperate need of equipment. Whatever decision is made with reference to the railways, the transportation problem is now acute in so far as equipment is concerned. I would, therefore, recommend that the government undertake at once to provide an ample supply of freight cars and locomotives against immediate and imperative needs. These cars and locomotives may be had, if desired, under trust agreements. It will be a simple matter to turn the cars and locomotives over to the operating companies under lease, or contract of purchase which may be exercised when conditions are more nearly normal.

Concluding, I would be loath to suggest recourse to any radical changes in the domestic policy of the Dominion of Canada in this time of war and stress. Remedial measures are often more efficacious than revolutionary ones, and more

equitable. I have been impressed by the seriousness of your transportation problem, and in sincerity express my belief that the problem can be successfully and satisfactorily remedied by just and mutual recognition of difficulties and full and free co-operation between the government and the railways. Fair and broad treatment of the question will, I am convinced, bring capital and personal genius commensurate with the exigencies of the present situation, and capable of developing a happy solution. I believe that the best results hitherto have been obtained by the efficiency and economy of private initiative, energy, and capital. It is no longer assumed that the self interest of the railway investor and operator is antagonistic to the interest of the public; rather, we have all learned, governments and corporations like, that the two are inseparably linked and must stand or fall together. Upon these fundamental truths I base my firm conviction that the brightest outlook for the future of your great Dominion can be assured through the extension of private railway enterprises. The hope of honor and the reward of public approval must be open to human kind to get the best results from human endeavor.

Facing the urgency of the need, considering the part which the government has taken and the responsibility which it shares, and keenly alive to the magnitude and the importance of the tasks now placed upon the railways and the greater tasks which they will face, I see no safe alternative but that the government shall continue, with discrimination and resort to all available safeguards, and under a policy of proper regulation and co-operation of effort, to aid the necessitous railways of the Dominion until such time, which I hope and believe will not be far distant, when these will become self supporting and the problem will be solved.

President Chamberlin Questions Statements Respecting G.T.R.

E. J. Chamberlin, President G.T.R. and G.T. Pacific Ry., made the following statement May 6: "I have read the majority report of Sir Henry Drayton and W. M. Acworth, who with A. H. Smith, President, New York Central Rd., were appointed a commission to examine the Canadian railway situation. I have not, however, seen the report of Mr. Smith dissenting from the views of the other commissioners. I am extremely surprised at some of the statements made in the report with regard to the position of the G.T.R. Co., of Canada, which, with all respect to the commissioners signing the majority report, I am compelled to say are inaccurate and misleading. So far as that company is concerned its credit at the present time is high, and its financial position not at all as stated in the report.

"During the past five years the G. T. has borrowed in New York for capital purposes over \$15,000,000, and had it not been for the war, which created abnormal conditions, further capital would have been procured and expended if prices had been satisfactory and deliveries could have been obtained. In view of statements contained in the report, and calculated to impair this credit of the company, I think it only just to the holders of G. T. securities that they should be assured of the absolute safety of their investment. At a later date a full statement with regard to the company's position will be made."