

NATIONALIZATION OF RAILWAYS

Government Commission on Railways Presents Majority Report Favoring Public Ownership

The majority report of the Government Commission on Railways recommends that Canada should have two railway systems.

(1) One owned by the government and operated by a board of trustees, to be incorporated with nominal share capital as the "Dominion Railway Company," and merging in its system the Grand Trunk Railway, the Grand Trunk Pacific, the Canadian Northern and the National Transcontinental;

(2) The Canadian Pacific Railway, owned and operated under its present status and by the existing company.

The minority report of the commission would provide for four systems: The present government railways, including the National Transcontinental, the Canadian Pacific, the Grand Trunk and the Canadian Northern. By this proposal, the Grand Trunk Railway would be confined to eastern Canada and the Canadian Northern to the west, and would provide for an interchange of traffic between the two.

Over-supplied with Railways.

These are the two distinct plans for the solution of the Canadian railway problem offered in the reports which were prepared by the Government Commission appointed by the Canadian government last July, and which were laid on the table of the House of Commons on May 2nd by Sir Thomas White in his capacity as acting prime minister.

All of the commissioners are agreed that the Dominion is over-supplied with railways and that some action should be taken without delay to meet the situation created by that circumstance. They are not, however, unanimous in their opinion as to the course which should be taken.

Sir Henry Drayton, chairman of the Dominion Railway Board, and Mr. W. M. Ackworth, the English member of the commission, concur in proposing the merging of the Grand Trunk Railway, the Grand Trunk Pacific, the Canadian Northern, the Intercolonial, including the Prince Edward Island road and the National Transcontinental, in one system to be owned by the public and operated by a company of which the only beneficiary stockholders would be the people of Canada.

Mr. Alfred H. Smith, president of the New York Central Lines, who was the third member of the commission, makes an entirely different proposal and embodies his views in the minority report.

All three agree that the status of the Canadian Pacific Railway Company should remain unchanged; that all roads should be subject to the jurisdiction of the Dominion Railway Commission, and that operation by the government through a minister of the Crown would not be in the public interest.

Plan for Public Ownership.

Under the plan of Sir Henry Drayton, chairman of the Dominion Railway Board, and Mr. Ackworth, the advice is that "the Dominion Railway Company" would consist of five trustees, who would be required to divest themselves of all interest in Canadian railway stock or bonds. The first trustees would be appointed by the act of parliament incorporating the company; three of them would, if possible, be men of railway experience, the fourth would be a man having the confidence of the railway employees, and the fifth would be selected on the ground of business and financial experience. The three railway trustees are, under the plan, to retire after three, five and seven years' service, and the other two after four and six years, but all are to be eligible for re-appointment.

Vacancies among the trustees are to be filled by the government on the nomination of a majority of the remaining trustees, a list of three names being submitted where a representative of labor or a financial member is to be appointed.

In order to give the trustees control of the roads to be incorporated in the Dominion railway system, Sir Henry Drayton and Mr. Ackworth propose that the Intercolonial and National Transcontinental Railways be transferred to them by act of parliament; that the \$40,000,000 common stock of the Canadian Northern Railway Company, now vested in the Canadian government, and also the \$60,000,000 still remaining in the hands of private persons, be transferred to them; that the whole of the common stock of the Grand Trunk Pacific should be transferred without payment, except in refunding cash paid for shares other than those held by the Grand Trunk Railway Company; that the whole of the stock of the Grand Trunk Company, first, second and third pre-

ferences and ordinary, should be handed over to the trustees. Taking up the question of compensation to be paid to holders of securities, Sir Henry Drayton and Mr. Ackworth express the conviction that allegation to the effect that public moneys received by Mackenzie and Mann were appropriated by Sir William Mackenzie and Sir Donald Mann, holders of the bulk of the outstanding \$60,000,000 of Canadian Northern stock, are unfounded. They do not think that holders of these shares have any claim to compensation as of right. Nevertheless they suggest that if those shareholders were permitted to hold a moderate portion of the shares, the equity of the case would be met. They propose that the portions to be so retained and the proportion of the earnings of the Dominion Railway system to be regarded as attributable to the Canadian Northern lines be determined by arbitration.

Grand Trunk Share Capital.

The commissioners regard the share capital of the Grand Trunk Railway as intrinsically of small value. Nevertheless, they recommend that the stockholders be offered an annuity equivalent to the average dividend payment for the last ten years and subject to increase after seven years. The trustees would, under the arrangement, hold the Intercolonial and Transcontinental roads as owners of the physical property. They would hold the Canadian Northern, Grand Trunk and Grand Trunk Pacific through their ownership of the capital stock. The existence of these three companies and also of their subsidiary companies would nominally continue unchanged and there would consequently be no question of the disturbance of the rights of the bond and debenture holders. Under the scheme the trustees would enter into possession of a complete self-contained system of 20,000 miles upon which the present fixed charges are \$34,000,000 a year and upon which, after providing for the annuity of the Grand Trunk shareholders and for composition with holders of Canadian Northern income debentures, the charges would at the outset be roughly \$40,000,000 a year or \$2,000 a mile.

Mr. A. H. Smith, in his minority report, declares that it is impracticable for one parliament to bind itself to a given policy of non-interference with a government board, and he believes the scheme proposed by Sir Henry Drayton and Mr. Ackworth contains too many elements of danger. He notes that the Grand Trunk has succeeded in the east and failed in the west, while the Canadian Northern has succeeded in the west and been jeopardized by its eastern extension. He believes that under the reorganization he suggests of dividing territory between the two roads, giving one western and the other eastern Canada, both systems can work out their own salvation within a reasonable time. "I think," he declares, "that there does not exist any condition to warrant taking up a new untried public policy, which may add greater difficulties than those which are now faced."

In regard to the Canadian Northern, he declares that investigation of the commission has disclosed evidence of skill in construction and efficiency in management, and that there is ample justification for confidence that the affairs of the company will improve with the return of normal conditions. The plan of Sir Henry Drayton and Mr. Ackworth to nationalize the Grand Trunk, Canadian Northern and Grand Trunk Pacific would, he claims, add about a billion dollars to the direct debt of Canada.

"Judging from the experience Canada has had," he adds, "with its government railways, it is fair to assume that the annual interest charge of about forty millions would remain a permanent burden. Operated by private companies, this interest would ultimately be borne by the companies without recourse to the government funds, and at the same cost of service to railway patrons as would obtain under government operation. I cannot believe that centralization, remote responsibility and control, would insure good service to the people of Canada."

He further points out that the scheme proposed by his brother commissioners would involve placing the government in railway business, not only in Canada, but also in operating railroads in the United States, subject to both federal and state regulations. He summarizes his conclusions in the following paragraph:—

"Let the Canadian Pacific alone; let the Grand Trunk operate the eastern lines now held by that company and the Canadian Northern; let the Canadian Northern operate the western lines now held by that company and the Grand Trunk Pacific system; let the government operate the connections or procure their operation by private companies; all of which should be done under arrangements that are equitable, and yet look to the not distant day when the country will have survived the war and resumed its prosperous growth."