

CANADIAN RAILWAY PROBLEM.

SIR THOMAS TAIT has just written a paper offering a new solution of the Canadian railway problem, advocating one united system of railways in Canada. Sir Thomas has had long and valuable experience in railway management in Canada and Australia, so his paper is authoritative and well worthy of due consideration along with any other schemes suggested. His paper in full is as follows:—

The Dominion of Canada at the present time owns or controls and operates a railway system, the main lines of which extend from Sydney, Halifax and St. John on the Atlantic seaboard to Quebec and Montreal, and from Quebec to Fort William and Winnipeg, and there is, therefore, to-day in Canada the administration by the State of about 4,000 miles of railway and competition between company railways and a State owned and operated railway system extending more than half way across the continent.

In view of certain conditions which, it is to be regretted, prevail in this country and in which there appears no promise of early improvement, the efficient administration along business lines of State railways in Canada by the government, even by means of a so-called "independent" board of commissioners can not be confidently anticipated. It is generally the experience in democratic countries having State railways that it is impossible to eliminate political influence, exerted if for no other reason than to promote and advance the interests of the political party in power, and, undoubtedly in such countries as the United States and Canada, where political partisanship runs so strong and political patronage has so long been the custom, prudent and efficient management of railways by the State would be found sooner or later to be impracticable owing to political interference and influence.

Competition between State owned and operated railways and company railways is inequitable and unfair to the private investor in the latter. Money for construction and equipment can, generally speaking, be borrowed or obtained by the State on considerably better terms than by companies, and, therefore, State railways are not expected or required to earn as large a return on their cost as investors in company railways, especially shareholders, look for and should receive. If everything else, therefore, be equal, an important and improbable proviso—the rates and fares on State railways do not require to be as high as on company railways. Due to the exercise of political influence, rates and fares on State railways are liable to be reduced and indeed as a rule are reduced, and train services and other facilities are provided beyond what the traffic and other conditions warrant, and these lower rates and fares and these unjustified facilities must be conceded by competing company railways if they are to retain their fair share of the traffic.

In view of the possibility, if not the probability, of the Dominion being compelled to take over the Canadian Northern system and the Grand Trunk Pacific Railway from Winnipeg to Prince Rupert with its branch lines, the question arises whether in such event the difficulties and disadvantages of State administration, on the one hand, and the injustice of State competition with private enterprise, on the other hand—both of which will be greatly aggravated and increased should the present State railway system be extended from Winnipeg to the Pacific Coast and throughout our Western Provinces—might not be avoided.

The following is an outline of a scheme whereby both the advantages which may be derived from the ownership of railways by the State and the good results which should accompany efficient administration by a company may be obtained and to these be added the great advantages, including a very large saving in operating expenses, which would result from all the more important railways of Canada being managed and operated as one great system:—

(a) It is assumed that the Dominion can acquire all the common stock of both the Canadian Northern and the Grand Trunk Pacific Companies for possibly a nominal consideration or, having regard to the magnitude of the scheme, for a comparatively small sum.

The Dominion to take over all the assets and assume all the liabilities of the Canadian Northern and the Grand Trunk Pacific systems and to guarantee interest on their bonds and debenture stock—supplemental to and not in cancellation of existing provincial and other guarantees of such securities.

(b) The Dominion to lease the Canadian Pacific Railway system in perpetuity for a rental equivalent to an agreed annual return on its common stock and to guarantee the payment of all dividends or interest on all the securities of that system which are senior to its common stock and to assume all the liabilities of that company, including all its guarantees on the securities of other railway companies, and the payment of all rentals for which the Canadian Pacific Railway is responsible. The Dominion to take over all the assets of the Canadian Pacific Railway Company, except those which are not closely connected with the operation of its railways and connections, which assets would be transferred to a separate company for the benefit of the Canadian Pacific shareholders.

These excluded assets would include: All lands, except those specified as "Surplus Lands" in Schedule "B" of the Company's Annual Report; interest in town sites; timber and mining rights; collieries and timber mills; improved farms and live stock; natural gas and petroleum rights; investments in Consolidated Mining and Smelting Company and in West Kootenay Power and Light Company; investments in coal and other mines; balance at credit of special income account; proceeds of land sales; deposits and loans; cash on hand and in banks, etc., in excess of current liabilities.

(c) The Dominion to lease the Grand Trunk system in perpetuity for a yearly rental equivalent to certain rates of dividends per annum on its preference and common stocks to be agreed upon, and to guarantee the payment of all dividends or interest on all the securities of that system which are senior to its preference and common stock, and to assume all the liabilities of that company, including all its guarantees on the securities of other railway companies and the payment of all rentals for which the Grand Trunk Company may be responsible. The Dominion to take over all the assets of the Grand Trunk Company.

(d) The five systems, *viz.*, the existing Government system, the Canadian Northern, the Grand Trunk Pacific and the Canadian Pacific and Grand Trunk systems (hereinafter called the "Whole System") to be administered for and on behalf of the Dominion, under an agreement with the Dominion, by a company known as the "Canadian Railways Company," to be incorporated and constituted as follows:—

(e) The company to be incorporated as above to have a capital of, say, ten million dollars and a board of directors of nine members, hereinafter called the "Board."