

Following the merger of Great Northern, Northern Pacific and Pacific Coast into Great Northern Pacific & Burlington Lines, Inc., the latter company will, in another transaction, merge with Chicago, Burlington and Quincy Railroad Company and lease the lines of the Spokane Portland & Seattle Railway Company. The entire operation will then cover in excess of 24,000 miles of railway lines in the United States. The second merger will not affect any properties in Canada and will be accomplished by, in effect, the taking over by Great Northern Pacific & Burlington Lines, Inc. of the assets of Chicago, Burlington & Quincy Railroad Company. The reason for this complicated form of transaction stems, I am told, from the provisions of the bond mortgages of the various companies presently outstanding and the desire to maintain certain priorities of the charges thereunder.

The operations of Great Northern in Canada are very limited, covering some 130 miles only. Its railway lines run from Blaine, Washington, to Vancouver, B.C., from the United States border up to Keremeos and from the United States border up to Nelson. In addition, a part of the line owned by Great Northern running between Kettle Falls and Republic, Washington, crosses into Canada near Grand Forks and runs a very short distance in Canada.

Great Northern and Northern Pacific each own one-half of the outstanding shares of Midland Railway Company, which is incorporated under the laws of the Province of Manitoba. The latter company owns railway lines within the limits of the City of Winnipeg and has acquired from the Canadian National Railways running rights from Winnipeg to the United States border near Emerson, Manitoba. Pool trains of both Great Northern and Northern Pacific are operated by Midland Railway Company from the United States border up to Winnipeg.

The proposed transactions do not entail any real change of control of railway lines in Canada or removal of control of any lines from Canada to the United States. Great

Northern presently owns the lines in British Columbia, and the ownership will be transferred to the new company. Similarly, the shares of Midland are owned by Great Northern and Northern Pacific and will, following the merger, be owned by the new company. The shareholders of the existing companies will receive shares in the new company.

The Province of British Columbia was represented at hearings before the Interstate Commerce Commission and was concerned that there be no limiting, by reason of the merger, of the rail service from southern British Columbia down into the United States. The only conflict appears to be that Great Northern operated from the United States border at Blaine directly into Vancouver, whereas Northern Pacific operated to the United States border at Sumas and interchanged traffic at that point with Canadian National Railways. The proposed conditions contained in the draft report of the I.C.C. for the benefit of competitive rail carriers appear to adequately protect the interests of the province. Specifically there is provision to the effect that competing United States rail carriers shall be entitled to obtain, if they so wish, trackage rights to operate freight trains over the lines of the merged company so as to have access to southern British Columbia.

The proposed legislation is, as you will realize, enabling legislation only, and upon the passing of the act it will be necessary for the parties to proceed before the Board of Transport Commissioners and obtain its recommendation to the Governor in Council for the sanction of the merger agreement.

Full information will be given when the bill is considered in committee.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Reid, bill referred to the Standing Committee on Transport and Communications.

The Senate adjourned until Tuesday, May 11, at 8 p.m.