

of capital and labour from Europe would rapidly settle the areas tributary to the new railroads and give them abundant and lucrative traffic, as had been the case with the C.P.R. Instead the war came, and European labour and capital were conscripted for the struggle, immigration fell off, while cost of operation increased, owing to the scarcity of labour and material in Canada. The interest on the bonds had to be met, and in 1915 the Government felt it necessary to give assistance to the railways. In 1916, after having again made a loan to the Grand Trunk Pacific railway and the Canadian Northern Railway Company, a Royal Commission was appointed by Order in Council of July 13, 1916, to investigate: (1) the general problem of transportation, (2) the status of each of the three transcontinental systems, (3) the reorganization of any of the said systems, or their acquisition by the State and (4) other matters considered by the Commission to be relevant to the general scope of the inquiry. Alfred Holland Smith of New York, Sir Henry Drayton of Ottawa and Sir George Paish of London, England, were originally appointed to the Commission. On the resignation of the latter, William M. Acworth was appointed to take his place. The majority report of the Commission, which was signed by Sir Henry Drayton and Mr. Acworth, has formed the basis of the subsequent railway policy of Canada. Their recommendation was that the public should take control of the Canadian Northern, of the Grand Trunk Pacific and of the Grand Trunk proper; and that they should be administered on purely business principles by a Board of Trustees, such compensation as seemed proper to be decided by arbitration and given to the shareholders of the Canadian Northern and the Grand Trunk.

Canadian Government Railways.—The Intercolonial Railway, built as a condition of Confederation and completed in 1876, and the Prince Edward Island railway opened in April, 1875, have since their construction been owned and operated by the Dominion Government. In 1903 the Dominion Government undertook the construction of the eastern division of the National Transcontinental railway from Moncton, N.B., to Winnipeg, to be leased to the Grand Trunk Pacific Railway Company for a period of 50 years. On the failure of the latter company to take over the operation of the road when completed in 1915, the Government itself undertook its operation—expenditure up to March 31, 1921, \$167,812,568. (Table 18). Thus on March 31, 1918, the Canadian Government railways had a total mileage of 5,150.08, comprising the Intercolonial railway, 2,305.23 miles; St. John and Quebec railway, leased under authority of Chapter 49 of the Statutes of 1912, 127.72 miles; Prince Edward Island railway, 313.82 miles; and National Transcontinental railway, 2,403.31 miles. Under Orders in Council of May 22, 1918, and August 30, 1918, the Moncton and Buctouche, the Elgin and Havelock, St. Martin's railway, the York and Carleton railway and the Salisbury and Albert railway were taken over. Also, under Order in Council of December 1, 1919, the Lotbinière and Megantic railway; under Order in Council of June 10, 1920, the Caraquet and Gulf