

3.—Origin and Growth of Government-owned Railways.

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, had 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 company to take over the operation of the road when completed in 1915, the Government itself undertook its operation and was also obliged to lease the Lake Superior branch of the Grand Trunk Pacific railway, which, by the above default of the G.T.P. Co., was isolated from the main line. A number of eastern branch lines have been acquired in recent years, including the New Brunswick and Prince Edward Island railway, which forms the mainland connection of the Prince Edward Island car ferry, the International railway, the Moncton and Buctouche railway, the Salisbury and Albert railway, the St. Martin's railway, the Elgin and Havelock railway, the York and Carleton railway, the Quebec and Saguenay railway, the Caraquet and Gulf Shore railway, the Lotbinière and Mégantic Railway, and the Cape Breton railway. The St. John and Quebec railway, in New Brunswick, and the Inverness Railway and Coal Company's lines in Cape Breton are operated under lease. The Hudson Bay railway, with 332.5 miles of steel rail at the end of 1920, and 214 miles operated out of its total length of 424 miles, has been declared to be comprised in the Canadian Government railways, and is being operated to a limited extent by the board of directors of the Canadian National Railways.

Canadian Northern Railway.—In pursuance of an Act passed in 1917 (7-8 George V, c. 24) and an agreement entered into under the Act, the Government acquired the entire capital stock of the Canadian Northern Railway Company, except five shares issued in exchange for Canadian Northern Railway income charge convertible debenture stock. Having thus acquired control, the Government, in Sept. 1918, appointed a new board of directors of the Canadian Northern Railway Co. This board, under Order in Council of Nov. 20, 1918, became also a board of management of the Canadian Government railways, with all the powers theretofore vested in the general manager of the Canadian Government railways. The use of the general term "Canadian National railways" to describe both systems was authorized by Order in Council of Dec. 20, 1918, the corporate entity of each system being, however, preserved. The Canadian Northern system, at the time of its acquisition by the Government, had a total mileage of 9,566.5.

The Grand Trunk Pacific.—During 1916, 1917 and 1918, the Grand Trunk Pacific received advances from the Government, totalling \$19,639,837, to enable it to "carry on" during difficult times. Towards the close of the fiscal year 1918-19, approximately \$950,000 of the \$7,500,000 authorized in the estimates of that year remained unexpended. The company desired to use this to pay interest on Grand Trunk Pacific debenture stock, but the Government insisted that deficits in operation should have priority over all other charges, and made the remittance conditional upon that understanding. As a result, the company notified the Government that it would be unable to meet the interest due on its securities on Mar. 1, 1919, and unable to continue operation of the railway after Mar. 10. Accordingly, the Minister of Railways was appointed receiver from midnight of Mar. 9, and for a