

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 loans to the Grand Trunk Pacific Railway and the Canadian Northern Railway Co., 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 trans-continental 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 last-named, William M. Acworth, a distinguished English authority on railways, was appointed to take his place. The majority report of the Commission, 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 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.

The process of the acquisition of these railways and the financial results of their operation down to the end of 1931 are described in Section 3, pp. 664 to 674.

The Royal Commission of 1931.—During 1930 and 1931 both freight and passenger traffic declined until new low records were being established each succeeding month. Freight and passenger revenues consequently decreased at alarming rates and with increasing capital expenditures and fixed charges, the financial condition of Canadian railways demanded readjustment. The dividend rate of the Canadian Pacific Railway was reduced from 10 p.c. to 5 p.c. for the second and fourth quarters of 1931 and early in 1931 it was evident that the Canadian National system would not earn the interest due on public holdings of its debentures exclusive of over \$32,000,000 interest on Government loans. To study the situation and, if possible, to remedy it, the Dominion Government appointed a Royal Commission by Order in Council P.C. 2910 dated Nov. 20, 1931. The Commission, under the chairmanship of the Rt. Hon. Lyman P. Duff, Judge of the Supreme Court of Canada, held hearings throughout the country and on Sept. 13, 1932, submitted its report.

The report condemned the unrestricted and extravagant competition of the Canadian National and Canadian Pacific Railways and the lack of co-operation in providing for the transportation needs of the country which resulted in the construction of branch lines, hotels, and other facilities far in excess of the present requirements. The Commission was of the opinion that aggressive competition should cease and its final conclusion was:

"We feel compelled, as a matter of public duty, to strike a serious note of warning to the people of Canada. Unless the country is prepared to adopt the plan we have proposed, or some other equally effective measures, to secure the efficient and economical working of both railway systems and thereby not only reduce the burden on the Federal Treasury but improve the financial position of the privately owned railway, then the only courses that would be left would be either to effect savings in national expenditures in other directions, or to add still further to the burdens under which the industries of the country are suffering by the imposition of yet further taxation. Failing the adoption of one or other of these courses, and there are obvious limits to their application, the very stability of the nation's finances and the financial credit of the Canadian Pacific Railway will be threatened, with serious consequences to the people of Canada and to those who have invested their savings in that railway".