

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. 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 1933 are described in Section 3, pp. 714-725.

**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 the public holdings of its bonds and debentures, not to speak of over \$32,000,000 interest on Government loans. To study the situation and, if possible, to remedy it, the Government appointed a Royal Commission under the chairmanship of the Rt. Hon. L. P. (now Sir Lyman) Duff, Judge of the Supreme Court of Canada, which held hearings throughout the country and on Sept. 13, 1932, submitted its report, summarized at pp. 648-650 of the 1933 Year Book. During the following session of the Dominion Parliament legislation known as The Canadian National-Canadian Pacific Act, (c. 33) 1933, was passed implementing the report of the Commission.

Under this Act the former Board of Directors of the Canadian National Railways is replaced by a board of three trustees, the chairmanship of which is a full-time position. The members are appointed for terms of five years and shall not be removed from office unless for assigned cause and on Address of the Senate and House of Commons. Decisions of the majority, which must include the chairman, will prevail. The trustees must submit each year estimates of requirements to Parliament through the Finance Minister and income deficits shall not be funded. The trustees shall also present annual reports to Parliament through the Minister of Railways and Canals. Continuous audit shall be made by independent auditors appointed annually by Parliament.

Under Part II of the Act the Canadian National and Canadian Pacific Railways are required to co-operate as recommended by the report of the Commission and, in addition, the railways are to divide the employment of such co-operative