

43 years. The western half of the railway from Winnipeg to Prince Rupert was to be built by the Grand Trunk Pacific, the Government guaranteeing interest on bonds to 75 p.c. of the cost of construction, not exceeding \$13,000 per mile on the prairie section and \$30,000 per mile on the mountain section. The Grand Trunk reluctantly accepted this proposition and construction of the National Transcontinental and Grand Trunk Pacific commenced.

The Third Transcontinental—The Canadian Northern Railway.—The third transcontinental railway, the Canadian Northern, was begun in 1896 with the completion by Mackenzie and Mann of the 125-mile line of the Lake Manitoba Railway and Canal Co., chartered in 1889. The charters of the Winnipeg and Hudson Bay, the Manitoba and Southeastern, the Ontario and Rainy River, and the Port Arthur, Duluth and Western were next acquired. Assisted by the Manitoba Government, which desired to establish competition with the Canadian Pacific Railway, the Canadian Northern then secured the Manitoba lines of the Northern Pacific and in 1902 completed its line from Winnipeg to Port Arthur. During the following decade, the agricultural west was filling up very rapidly and, with the public of Canada under the influence of this boom, the Canadian Northern Railway was able to secure guarantees of bonds from the Dominion and Provincial Governments to enable it to extend its lines both westward to Vancouver and eastward to Montreal and so complete the great scheme of a transcontinental road.

Effect of the War on the Railways—The Drayton-Acworth Report.—With two new transcontinental main lines, besides branches, under construction, Canadian railway mileage was doubled between 1900 and 1915, increasing from 17,657 miles in the former year to 34,882 miles in the latter. The builders of the new lines, as well as the Canadian Government and people, had expected that immigration 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 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 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. 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 1934 are described in Section 3, pp. 670-679.

The Royal Commission of 1931.—During 1930 and 1931 both freight and passenger traffic declined until new low records were being established each succeed-