

submitted to the Canadian Government a proposal whereby it might participate in the settlement and development of the West. Lines were to be leased from Chicago via Minneapolis to Winnipeg, and thence a new line, subsidized by the Government, would be built to the Pacific Coast. The Government raised objections to so much of the line lying in the United States and a second proposal was made for a connecting line with larger subsidies from North Bay to Winnipeg. The Government submitted, in 1903, a counter proposal that the line, instead of terminating at North Bay, should be continued east to Moncton, New Brunswick, the eastern section from Moncton to Winnipeg to be constructed by the Government and leased to the Grand Trunk Pacific for a 50-year period, the railway paying no rent for the first seven years and 3 p.c. on the cost of the railway for the remaining 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 of 1914-18 on Railways—The Drayton-Acworth Report.—With two new transcontinental main lines, with 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 furnish abundant and lucrative traffic, as had been the case with the C.P.R. Instead, when war broke out in 1914, European labour and capital were conscripted for the struggle; immigration fell off and the anticipated traffic did not develop. On the other hand, 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 loans had again been made 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