

THE GRAND TRUNK RAILWAY LEGISLATION

Mr. James McIsaac M. P. Delivers Important Speech Which Has Been Highly Commended in Government Circles

MR. JAMES McISAAC, (Kings, P. E. I.): Mr. Speaker, I desire to say a few words on this question which is of paramount importance to the people of Canada, which is indeed one of the most important matters that have come up for discussion in this Parliament for some time. The debate has taken a very wide range and many things have been said. Some things have been said that have had some bearing on the question under review, and quite a number of things have been said that seem to have very little connection therewith. I will endeavor, in my brief remarks, to confine myself as nearly as may be to the subject matter of the Bill before the House. I believe that I shall be able to understand the subject better myself and to present my thoughts better regarding the question. If, with your permission, Sir, I briefly review the history of this railway matter and inquire what are the steps and what are the different changes which have brought about the conditions in which the Grand Trunk Railway Company now finds itself. It is proper too that we should inquire why this legislation is before us; why this company comes to this Parliament seeking aid and why the Government of Canada are now negotiating with the Grand Trunk Railway Company and are putting this legislation through Parliament in order to meet the request that has been made in this connection.

At the risk of repeating words that have been said probably more than once in this debate, I shall endeavor to give the House a resume of the history of this question. The original intention of the Grand Trunk Railway Company evidently was to build a western line connecting at Winnipeg and extending through the western provinces in order to compete for the increasing trade in that section of Canada, a trade that was looked after very successfully by the Canadian Pacific Railway Company. It seemed quite reasonable that the company should desire to extend their lines to secure as large a proportion of trade as possible in the western provinces. But for some reason or other when they approached the Government in 1903 to obtain their charter they were persuaded to consider a more comprehensive scheme than they at first entertained, and instead of simply building a branch westward to the Pacific Coast from Winnipeg they conceived the idea of building eastward as well, from Winnipeg to Quebec and Montreal, thus committing themselves to the construction of a transcontinental line. When this matter was presented to Parliament by the then leader of the Government, Sir Wilfrid Laurier, that gentleman certainly painted a most rosy picture of the wonderful things that were to come about as a result of this new undertaking, and the enormous benefit it was to prove to Canada. It was to cost Canada very little to complete another railway from ocean to ocean. In the debates of that time the Prime Minister on the first reading of the Bill on the 30th July 1903 is thus recorded in Hansard:

The sum total of money to be paid by the Government for the construction of that line of railway from Montreal to the Pacific Ocean will be in the neighborhood of \$12,000,000 or \$13,000,000 and not a cent more.

Further on he says:

The surplus of this year will pay for the construction of this line.

On the same date at page 7695 of Hansard he made use of these words:

The cash subsidy which is promised and which is to be given under this contract to the Grand Trunk Pacific Company will not exceed \$13,000,000 or thereabout.

That certainly looked exceedingly promising. Canada was to have a complete transcontinental line from coast to coast for practically nothing, but this entrancing picture proved to be not quite in accordance with the facts. It was agreed that the road should be built in two divisions, one from Winnipeg to the Pacific Coast and the other from Winnipeg to Montreal, that portion of the line from Winnipeg to Montreal to be known as the National Transcontinental railway and the other portion, extending to the Pacific Ocean, as the Grand Trunk Pacific railway. The Government were to build the portion from Winnipeg to Montreal, and the company the other section. The National Transcontinental line, having been built by the Government, was intended to be operated by the company after a few years, and a nominal rent was to be paid. To dispose of this branch of the road which does not enter into the question to any great extent at the moment, it is sufficient to say that it cost this company, according to the Drayton report, about \$12,000,000; and, further, that the company completely failed to carry out their part of the agreement. They never operated the road, the Government having had to do so from the beginning. It will be interesting to see just how the branch extending from Winnipeg to the Pacific coast fared, whether or not it was a success, and what assistance the company were obliged to seek from the Government. Parenthetically, I may say that another road was subsidized by the Canadian Northern railway. This was a handicap to the Grand Trunk Pacific Company, and it would almost seem that the Grand Trunk Railway Company deserve some sympathy in view of the difficulties and handicaps with which they had to contend in any endeavor they might make to carry out their contract and build the road from Winnipeg to the Pacific. The proposition that was submitted to them apparently mesmerized them, but it was a Utopian scheme that did

stand the test of practical investigation. It was a railway mirage and the Grand Trunk Railway Company seem to have been lost in a maze of ramifications which completely confused and discomfited them. The Grand Trunk Company were not long engaged in their construction work before they were compelled to come to the Government for assistance.

They continued seeking aid again and again, until, to use the words of the ex-Finance Minister—and I am sure I can refer to no better authority—the Government of Canada were under obligation, in connection with this Grand Trunk Pacific, to the extent of \$145,000,000 directly and indirectly. In addition to that, the parent company, the Grand Trunk railway, were under obligation to the Grand Trunk Pacific, is the history in brief of the financing of this great road. We are not saying that it may not be great, but it has cost Canada a very large sum of money. We are disappointed because it was emphasized when the road was about to be built that it would make practically no demand upon the finances of Canada beyond \$13,000,000.

Then, reverting for a moment to the Canadian Northern, it, too, got into financial difficulties and was obliged to come from year to year knocking at the doors of Parliament in order to secure financial aid to carry on its business. There was poured out or loaned from year to year millions and millions of money, till at last the Government of our day decided that no more money should be given to them unless the road should belong to the Government. The time had come when no more risks should be taken by loaning and giving millions of money to a corporation which did not seem to have any near prospect of being able to pay any portion of the money back. The Government had taken over or assumed \$40,000,000 of the stock of the road, while the proprietors, or those responsible for the company, had \$63,000,000. In 1917 it was decided that no more money should be given to the road unless it became the property of the Government. Legislation to that effect was introduced and passed in 1917. In order that the Government might find out what was the reasonable value of the property or of the \$60,000,000 of stock that remained in the company, a board of arbitrators was appointed. While on that I just wish to dwell for a moment on something that took place then. In connection with the legislation of 1917 on this question, the Government had agreed, as I have said, that they would appoint arbitrators to determine the value of the remaining stock. I find that the then leader of the Opposition, the late Right Honorable Sir Wilfrid Laurier, in discussing this question, placed himself on record, as will be found in Hansard, August 13, 1917, to the effect that he had no objection to arbitrating, but he raised the point that

"No assistance should be given to the Canadian Northern Railway unless at the same time it is provided that the Government have power within a reasonable time to acquire the ownership of the entire stock of the company at a price to be fixed by arbitration, not to exceed \$30,000,000."

What I wish to establish is that the Opposition, through their leader, made the statement in Parliament on the 13th August, 1917, that they would not object to the award of the arbitrators provided it did not exceed \$30,000,000. I wish to mention this because I may take occasion a little later in the course of my remarks to refer to this particular part of the question again.

In connection with the legislation of 1918, reference to which will be found in Hansard of May 15, 1918, page 1996, the right hon. the Prime Minister (Sir Robert Borden), discussing the question and alluding to the matter of the arrangement with the Canadian Northern, stated that:

By the arbitration agreement subsequently made it was provided that the price should not exceed \$10,000,000.

You will observe that this is one-third of the amount of money that the Opposition had stated, through their leader, they should be satisfied the arbitrators should fix. They were willing to go as high as \$30,000,000, while here we find that one-third of that amount, or \$10,000,000, is the amount awarded by the arbitration. I wish to make that statement at this particular stage because I may have occasion to make some reference to that particular point a little later on. We know that subsequently to the session of 1918 the Canadian Northern railway became a part of the Canadian National railway system. We will leave that aside for a moment and consider what has happened to the Grand Trunk Pacific.

They went on borrowing money from the Government until, to quote the statement of the ex-Finance Minister who dealt with this question in an excellent manner a few evenings ago, the borrowings from, or the obligations to, the Government, direct and indirect, in connection with the road, amounted to \$145,000,000. All will remember that early in the first Parliamentary session of the present year it was made known to the Government that the Grand Trunk Railway Company, who were and are the owners of the stock of the Grand Trunk Pacific Railway, would be unable, after the 10th day of March to meet their financial obligations, and that they would be obliged to cease operating that railway. We all know what happened. The Government took immediate action and placed the Grand Trunk Pacific in the hands of a receiver. It must be said that the Grand Trunk Pacific and the Canadian Northern railways, which encountered these financial difficulties, were really, not correctly speaking, transcontinental lines; they were only

parts or wings of a great transcontinental line. It does not appear that the time had come when Canada should have practically three transcontinental railways. The development of trade, and the growth of the country's population had not arrived at a state when Canada could sustain any such plethora of railway mileage. How has it happened that we have come to the stage that the Grand Trunk Railway is to be taken over by the Government? Hon. gentlemen opposite have expressed surprise, indeed indignation, that this great and paramount question, this question of such very great importance to Canada, should, as they say, have been sprung upon Parliament without any previous intimation that the Government had any intention of taking over the Grand

Trunk. But, Sir, it is a matter of fact that negotiations in this direction had been going on between the Government and the Grand Trunk Railway Company for a year and a half or thereabouts. As early as the 15th of May, 1918, when the Prime Minister, Sir Robert Borden, was making a survey of the general railway situation, he intimated quite positively the existence of the possibility that having taken over the Canadian Northern, and as we have seen the Grand Trunk Pacific, the Grand Trunk itself might also be taken over. While the discussion was going on the position of the Grand Trunk came up in the course of the debate, and no serious objection to that possible consummation was taken by the then leader of the Opposition, the late Sir Wilfrid Laur-

ier, because he said on that occasion: I think that the Grand Trunk Railway system should be productive of good results. For the present I do not condemn the idea of taking this railway over. The two competing railways in the West—the Canadian Northern and the Grand Trunk Pacific, finding it impossible to successfully continue operations, had to succumb and the Government had no option in the matter but to take them over. These railways have absorbed millions and millions of the people's money, and in order that they might be preserved and utilized for the benefit of Canada there was only one thing to do—the Government were forced, as a matter

of necessity, to take these railways over. Now let us see what the facts are with regard to the parent company of the Grand Trunk Pacific, and the Grand Trunk. As I have already said, negotiations had been going on with the Grand Trunk. Intimations had been given in the House with respect to the matter from time to time, and numerous questions on the subject had been asked by the Opposition. I remember very well that not only during the present session but last session, hon. gentlemen opposite inquired whether any progress had been made in the Government's negotiations with the Grand Trunk, or whether or not the Government had any announcement to make with regard to the project. Any hon. gentleman who was present on those occasions cannot fall

to have a recollection of the questions of that kind that were asked from time to time, and the answers given. I do not know of any definite statement made by the Government, however, regarding the terms that had offered, and the Government, however, should be quite just in their attitude, and they would not be warranted in making any other proposition, or in taking any other course, than that which had already been placed before

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