At the hearings of the Commission in Victoria it was argued on behalf of the Province of British Columbia that the Dominion was under obligation to take over from the Province the provincially-owned railway known as the Pacific Great Eastern.

This railway is 348 miles long running from Squamish to Quesnel within the Province of British Columbia. Its construction was begun in 1912 by a private company, securities of the railway up to $35,000 (later $42,000) per mile being guaranteed by the provincial government. This company had an agreement with the Grand Trunk Pacific Railway Company providing that traffic destined for Vancouver and points on the proposed Pacific Great Eastern should be routed over the latter railway. During the War (1914-18) the company was unable to complete construction of the railway, and the Provincial Government was compelled in 1918 to take over the assets and liabilities of the company and finish the building of the road. It was stated by the Province that its total investment in this railway was approximately $78,000,000, and that the line is now showing a small operating profit which gives some indication of increasing as the area served by the railway develops.

It was argued before us that the Province had been deprived of the prospective benefits of the connection of the Pacific Great Eastern with the Grand Trunk Pacific and the prospect of making the former railway the Pacific outlet at Vancouver for the transcontinental line of the Grand Trunk Pacific Railway. When the Dominion amalgamated the Grand Trunk Pacific and the Canadian Northern into the Canadian National Railways system it made use of the outlet of the Canadian Northern railway to Vancouver by way of the Thompson and Fraser river valleys. It was also urged that the Dominion had established a policy of acquiring certain smaller railways under the Branch Line Act of 1915, and figures were quoted showing an investment of approximately $26,000,000 in such lines throughout Canada. Counsel for the Province of British Columbia contended that “it is in the interest of Canada that this railway should be completed to Prince George and from there northward, so as to give a Pacific outlet through the Ports of Prince Rupert and Vancouver to the Peace River Country.” It was submitted that the Pacific Great Eastern railway and the proposed extensions should form part of the Canadian National Railways or should be operated under the joint control of the Canadian National and the Canadian Pacific Railway Companies. A number of advantages from such a course were cited, chief of which were the creation of an outlet to the Pacific from the Peace River District, and the relief of the Province of British Columbia from part of its financial burden. It was contended that the Dominion was under obligation to relieve the Province because Dominion railway policy had resulted in the destruction of the traffic arrangement with the Grand Trunk Pacific Railway which was the basis for the construction of the Pacific Great Eastern.

We are unable to see how any obligation was imposed upon, or inferentially accepted by, the Dominion, and, indeed, counsel for the Province stated that he did not suggest that there was any obligation in any legal, or moral, sense. He contended that there was some kind of “public” obligation arising from the fact that Dominion railway policy has so operated as to damage a provincial railway enterprise. It is well known that the taking over by the Dominion of the Grand Trunk Pacific and the Canadian Northern railways was the result of the failure of those enterprises, and we can find no basis for holding that the Dominion must come to the assistance of an unprofitable railway merely because it has in the past considered that it was in the public interest to assist other railways with which that railway had entered into contractual relations. This is a clear example of the point which we have sought to make elsewhere in this Report, that unco-ordinated transportation policies of the Dominion and Provincial Governments have in the past caused, and will continue to cause, great loss and difficulty. It would, of course, be well within the powers of...
the Dominion to acquire the Pacific Great Eastern as part of the Canadian National system, but this is wholly a question of policy upon which we are not called upon or empowered to advise. It is sufficient for us to state that we are unable to find that an obligation of any sort rests upon the Dominion to implement the proposals of British Columbia as to the Pacific Great Eastern railway.

A careful perusal of the general recommendations that we make elsewhere as to the assumption by the Dominion of the deadweight burden of provincial debts will show that if these recommendations are implemented British Columbia will retain the physical assets of the Pacific Great Eastern railway while it would have no interest charges to meet in connection with this railway. British Columbia, therefore, stand to benefit either by increasing the operating income of the railway or by disposing of it to any purchaser it might find. The Province would thus be substantially better off than if the Dominion were to buy the Pacific Great Eastern tomorrow and our general recommendations took effect later.

* See Sect. B, Chs. II and IV.