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a careful examination of all light traffic lines should be undertaken forthwith by both railways to determine what should be retained and what should be abandoned. Where the decision is for abandonment, operations should be promptly suspended, and the salvaged material recovered then or later. Thought should be given to the operation of a considerable mileage during a portion of the year only. Radical reductions, not only in the service on these light traffic lines, but also in the mileage of this group is essential if economic security is to be restored to the railways.

## II. TRADE DEPRESSION

157. In so far as the position of the Canadian railways is the result of the depression in world trade, they have merely shared the general fate of most industries and of railways in other countries. In the United States of America the recession in railway earnings did not appear until 1930, but by the end of 1931 the net operating income of the Class I roads had fallen from \$1,395,348,471 to \$662,314,465, (more than 50 per cent) which is greater than the reduction shown by the Canadian Pacific Railway Company. The more favourable showing of this company is no doubt due to the drastic reductions in working expenses and services, undertaken at an earlier date than on the United States roads, and therefore showing their full effects in 1931. Since any measures looking to a revival of trade are beyond the scope of the Commission's inquiry, we pass from this topic with the observation that an increase in traffic of even 20 per cent above the figures for 1931, which would still be below the gross earnings for 1925 would result in substantial improvement in the railway position in Canada. Experience gained in operating at reduced costs in the last two or three years should not be lost and should therefore be reflected in a greater ratio of net earnings.

## III. COMPETITION FROM OTHER TRANSPORT AGENCIES

### (a) ROAD TRANSPORT

158. Road transport in the past decade has challenged the supremacy of the railways in the field of transportation both in the conveyance of passengers and freight. In 1923 there were 515,178 private automobiles registered in Canada, while in 1931 this figure had increased to 1,024,385, an increase of nearly 100 per cent. During the same period motor coaches undoubtedly increased considerably. Records for years prior to 1927 are not available but the number of motor coaches registered in 1931 was 1,636, and this represented an increase of 61 per cent over 1927. Motor trucks, both privately-owned and common carrier, now number 165,855, which represents an increase of 214 per cent over the number registered in 1923. The total motor vehicle registrations (exclusive of motorcycles) increased during the period we have under review (viz. 1923 to 1931) from 576,668 to 1,197,188, or more than 100 per cent. This development has brought about a lasting revolution in the travel habits of the people, and in many respects has wrought a transformation in the economic and social life of the country. It has given facilities for transport never before enjoyed by the general public, and has given trade and industry facilities of great and permanent value.

159. But, while the motor vehicle has done much to create and stimulate travel, it has also effected the diversion of a considerable volume of traffic from the railways. It is the private automobile which has mainly been responsible for the diversion of the bulk of the passenger traffic to the highways, with the result that the short distance passenger traffic of the railways has shrunk to small proportions and their long distance passenger traffic is threatened. The

transfer of traffic from the railways to the motor coach has not in the aggregate reached, as yet, large dimensions, but the use of this agency of transport is increasing and its effect upon the railways has, in some of the more densely populated districts, already been considerable. In the conveyance of freight, the motor truck, principally the privately-owned, has made serious inroads into the short-distance traffic of the railways.

160. In fairness to the road vehicle, it should be stated that this diversion of traffic from the railways to the highways is in many cases due to the fact that conveyance by road is intrinsically a more suitable form of transport, either because the convenience afforded by the road vehicle outweighs other considerations, or because it is definitely cheaper. But in so far as the diversion is due to lower costs as a result of road vehicles not bearing their fair share of the cost of the highways which they use, or because they are free from regulations analogous to those imposed on other forms of transport, then such a diversion may very well be opposed to the best interests of the country's welfare.

161. With the extension of hard-surface roads and the increasing mileage kept open in the winter, a wider use of motor vehicles must be anticipated and such an extension will bring in its train further diversion of traffic from the railways. In seeking a permanent solution of the railway problem in Canada this comparatively new and convenient form of transport, and its effect upon the railways, cannot be ignored, and a fair basis of competition between these two transport agencies, in so far as they are acting as common carriers of either passengers or freight, must be found, not only in the legitimate interests of the railways but also in the interests of the public and trade and industry generally. We feel that not only is unfair competition between railways definitely harmful to the general welfare but that unfair and unregulated competition between railways and road operators is also damaging, resulting as it does in waste and duplication of effort.

162. In an appendix to this report we have included a chapter giving statistics of highway transport in Canada and information as to the fees charged and the regulations imposed by provincial governments, together with a summary of the views submitted to us of various highway authorities and of those engaged in the motor transport industry.

163. It is generally recognized that there is a need for regulating road motor services and for equalizing the conditions under which road and rail services are provided. Especially is this need recognized when regard is had to the extent of the regulations imposed on the railways, to the almost entire absence of regulations of road operators, particularly those operating freight services, and to the fact that it has been the practice to establish railway freight rates on the assumption that the transportation of freight was to all intents and purposes the monopoly of the railways. Upon this hypothesis tariffs and tolls have been established on a comparatively high scale (when regard is had to the actual cost of operation) for the carriage of short distance package freight and for express services, and upon a lower and less remunerative scale for the transportation of heavy and bulky commodities which are generally conveyed over long distances.

164. If the railways lose a large part of their profitable short distance traffic to the roads a readjustment of the whole freight rate structure may be necessary, with a possible increase in the rates charged for the long distance and heavy freight traffic.

165. It is essential that the country should have the free and unhampered use of the cheapest forms of transport and therefore no restrictions which would unfairly prejudice the road user should be imposed. The railways themselves should be empowered to provide and operate services of road vehicles, subject