

of other commodities such as ties and lumber. All those prices were increased very substantially.

Mr. Reid: Do you think the raise was allowed so the steel companies could get a little more from the railway companies on their steel?

Mr. Vaughan: Well, it was felt that the railways use certain steel commodities that no one else uses, such as track fastenings, steel rails and things of that kind, and apparently at that time, if the steel mills received an advance on the products that the railways used that would satisfy them for the time being.

The report of Mr. Vaughan to the minister contains the following words on which I should like to lay some emphasis:

The directors feel that more than passing attention should be directed to the higher cost of operation due to these increased unit prices for labour and material over which the management has no control.

Mr. Vaughan was asked, when he was before the committee, as reported at page 23, whether he thought the committee should direct their attention to this statement in the report and whether he had any suggestions to make as to how they could approach it. In his reply he said he did not think the committee could do much about it.

The report of the auditors of the railway, which was read to the committee, also refers to this matter, as will be found on page 2:

Looking forward to the post-war period, the impact of the accumulated war-time increases in wage rates and material prices on the operating results from prospective revenues of that time is a matter to which we commend the consideration of parliament.

The future operation of this company is a matter which, it seems to me, should be seriously studied by the Minister of Transport and the government. Now that the war is over, the revenue of the railway will be greatly reduced. There can be no question about that. Mr. Vaughan, in his statement to the committee on October 23, page 4, said:

I feel it is necessary, however, to sound a note of caution. It is probable that when the war emergency is over traffic will recede from war-time levels. To what extent it will recede we shall have to wait to find out.

We may have to wait to find out the exact amount, but I do not think the government should adopt a policy of wait and see. I am calling the matter to the attention of the committee and of the Minister of Transport and the government because I think the government should take steps now that the situation has been brought before them, to inquire into ways and means of preventing the road from becoming again a great drain on the taxpayers of Canada.

To use Mr. Vaughan's words, more than passing attention should be directed to this
[Mr. Hazen.]

matter and it should have the careful consideration of the government now.

This brings me to another matter: I believe there should be closer cooperation between the C.N.R. and the C.P.R. From questions that were asked Mr. Vaughan I got the impression that there has not been as close cooperation as there might have been.

Part II of the Canadian National and Canadian Pacific Act, which was passed in 1933 and assented to on May 23 of that year, states that the two railways:

... are, for the purposes of effecting economies and providing for more remunerative operation, directed to attempt forthwith to agree and continuously to endeavour to agree, and they are authorized to agree, upon such cooperative measures, plans and arrangements as are fair and reasonable and best adapted (with due regard to equitable distribution of burden and advantages as between them) to effect such purposes.

They are further directed:

That whenever they shall so agree, they shall endeavour to provide, through negotiations with representatives of the employees affected ... for a fair and reasonable apportionment as between the employees of National Railways and the Pacific Railways respectively of such employment as may be incident to the operation of such measure, plan or arrangement.

The act goes on to state that:

It shall be the duty of the companies, and they are hereby required, to meet by their proper officers forthwith and from time to time as they may agree, to discuss and to effect by agreement, if possible, the purposes set forth in this part of the act.

I think the Minister of Transport or the government should make some inquiries into what cooperation there has been between the two railways with a view to seeing that the intentions of this act are lived up to.

I said a moment ago that I got the impression that there was not as close cooperation between the railways as was intended when the act was passed. I got that impression despite the fact that in the course of his evidence Mr. Vaughan said:

The Canadian Pacific Railway officials and our officials are in touch with each other almost every day on some matters. We cooperate with them closely.

Mr. Vaughan went on to say:

After all, we are keen competitors. I do not suppose there is any place in the world where there is keener competition than between the Canadian National Railways and the Canadian Pacific Railway. I do not think that can be avoided as long as the two railways are operating as they are.

Now, competition makes for efficiency, but it should be subject to proper controls; controls that provide on the one hand for proper hours of work and living standards and wages