

*Transportation*

system for which the transportation field seems to call. We impose regulations and say that the railroads cannot undercut trucking companies; they cannot drive them out of business. I am not going to argue the merits of the railroads doing this or not doing it; I merely raise the point to indicate that we have seriously interfered with the effective working of the system. In order to have a free enterprise system working properly, to achieve competition there must be great freedom within the competitive area; you cannot pass regulations of this type saying, "You cannot compete ferociously with someone else."

The national interest that is involved in transportation is of the kind that the market cannot decide. What happens in transportation profoundly affects many other areas of our economy. For instance, exports are vital to Canada. They affect our balance of payments and our ability to buy from other countries those things which we cannot or do not produce. This nation may have to make a decision, under some circumstances, to maintain our exports at a level that will find acceptance in world markets. One such decision may have to do with the cost of transportation, which affects the cost of our exports and the price ultimately obtained for them.

Is a competitive system going to give us this kind of judgment? Can you expect a competitive system to make this kind of judgment? After all, the elements within that system can only act according to their own self-interest; you cannot expect them to act in the national interest when no one else is doing so.

For this reason, in our transportation policy there must be a concept which provides that the national interest is paramount. Transportation is so fundamental to everything in this country that it is paramount. It is at the root of whether it is possible to raise our productivity to the level to which it should be raised. We cannot leave this kind of decision to the free play of the market forces and the competitive elements. We have to equalize distance in this country. This nation was built on the basis of a railroad going from east to west. The people who built that railroad knew that parts of it would not pay in any purely commercial sense. It was true at that time, and is true today, that without a transportation policy that takes into consideration the difficulties in creating and holding together a country like Canada, we would not be able to easily maintain our nationality. The west will require special consideration for certain products.

• (6:10 p.m.)

The maritimes obviously need special attention for other reasons. There is hardly a part of Canada which will not be affected in a different way. We can talk about subsidies and we can deplore them but the truth of the matter is that everyone in Canada is subsidized. If we do not subsidize railroads, then we subsidize such things as old age pensions or we are subsidized through family allowances. Some of us subsidize others through tariffs that are put on products coming into this country. We are completely interrelated and interlocked, and it is impossible to distinguish those areas which are subsidized from those which are not. To try and make this kind of distinction is both futile and hopeless. I think we will have to devise a transportation policy for the benefit of the entire nation, and of those parts of it which may be uneconomic but will have to be carried by areas which bring profit. There can be no other way of doing this in a country such as ours. If we are to make a clear distinction between what is subsidized and what is not, then I would suggest that we will have to remove the entire machinery which we have built up, from tariffs down to social allowances, in order to return to some kind of a base. We cannot start from the base which we have now.

If we are to have a competitive system, then we have to remove the barriers which now restrict competition. We have built up a structure which by and large is a good structure; I am not suggesting that it be dismantled. What I am suggesting is that whenever we talk about a transportation policy we should recognize that this structure exists, and that it is neither possible nor desirable to make a clear distinction between what is subsidized and what is not subsidized as the bill attempts to do.

I would like to give to the committee an example illustrating the inefficacy of competition as far as railroads are concerned. If we had to depend on competition, I think we would have discontinued the railroad passenger service by now. There was a time when the C.P.R. tried to eliminate its passenger service as quickly as it could. During the committee's trip through the west, we heard some fairly clear indications from people who gave evidence before us that the C.P.R. was just about kicking off its passengers. They did not want them. The competing railroad, namely the C.N.R. was in a similar position from the financial point of view. They were not making any money on passengers either. However, the