

As a glaring instance of political influence on the policies of the Canadian National, we may cite the fact that the completion of the Montreal Terminal was definitely promised on the hustings by Ministers of the Crown, months before the directors made their recommendation to proceed with the work.

It is submitted that joint managership, by elimination of this and other forms of political interference, and by gradually removing duplications and utterly unnecessary costs in many spheres, might well overcome the major cause of past recurring deficits.

#### Savings from Unification

Sir Edward Beatty, President of the Canadian Pacific Railway Company, claimed that through the unified management of both railways, savings to the amount of \$75,300,000 per annum could be effected under average traffic conditions, which he stated are those of the year 1930. This claim was supported in the greatest detail by a long line of officers of that company. These officers and Sir Edward himself were questioned at length by members of your Committee. Figures and supporting evidence for lesser, but still huge, savings were given, applicable to years of diminished traffic.

As to the method followed to establish such savings, it seems important that it should be described in some detail. The outline which follows is carefully deducted from, and is supported in every particular by, the evidence submitted:—

As to savings by unified management, there were first set out the conclusions arrived at by the respective officials of the two Companies at the request of, and submitted to, the Duff Royal Commission. These conclusions were as follows:—

By the Canadian Pacific officials:

\$75,300,000 based on the same scale of operations as prevailed in 1930;

By Canadian National officials:

\$50,340,000 based on the scale of operations of 1931.

This would be equivalent to \$56,440,000 based on the scale of operations in 1930—the operations of 1930 being about 30 per cent larger than the operations of 1931.

It is clear from the above that the comparable figures are \$75,300,000 as presented by Canadian Pacific officials and \$56,440,000 as presented by Canadian National officials.

There was then set out a full outline of the very thorough methods adopted in arriving at the above estimates of savings.

The evidence of Canadian Pacific officials was given and showed that a Committee of officers from the operating, engineering, traffic, mechanical and accounting Departments was constituted and worked over a long period. They surveyed the existing supervisory organizations of the two Railways as independent units, the location and function of the various lines of railway; passenger and freight train services; and terminal and shop facilities. Each phase was taken in hand by officers familiar by experience with each special work. Senior officials were made available for consultation. In a word, the resources of the entire organization were used by the Committee. The efforts of the Committee were directed not to determine any maximum limit of savings, but merely

what could reasonably be expected under normal conditions. Methods employed by the Canadian National were described as somewhat unlike those adopted by the Canadian Pacific. Both, however, included economies from reduction in general overhead expenses, traffic solicitation, advertising and regional supervision; line abandonments, re-routing of traffic, increased car and train loading, consolidation of repair work, re-adjustment of passenger train services, as well as from operating joint freight and passenger terminals, consolidating express and telegraph services, consolidating accounting services and other expenses. There are items which appear in each estimate which are not in the other estimate, but considering that two different methods were followed in getting together these estimates, there is an added importance to such similarity as appears in the two results. It was brought out in the evidence that in the case of the Canadian Pacific estimate the services of an experienced official of the Great Northern Railway Company were obtained to review very carefully the whole plan of estimating savings which had been adopted. This official, Mr. V. P. Turnburke, General Auditor of the Great Northern, had had to do, himself, with the consolidation of the Great Northern and the Northern Pacific. After a very thorough review on his part, he made certain criticisms and suggestions, and finally reported that in his opinion the committee of the Canadian Pacific, in estimating savings, had proceeded along conservative lines, and he did not hesitate to accept the conclusions reached.

A number of principal officers and engineers of the Canadian Pacific, who had been working on seventeen committees in all, demonstrated, under the several headings in use in railway accounting, the various retrenchments in expenditures estimated to result from unified operation. Most of these headings were divided into sections and even into further sub-sections, in order in each case to build up from the ground two sets of figures—the first set being such as applied to the particular section or sub-section as a part of the two systems when unified, and the other set being the savings in each case resulting from unification.

It cannot be gainsaid that the body of evidence made up by the above process was thorough and impressive.

There is one feature of these savings which should be especially emphasized. Efforts have been made to give the public the impression that savings can only be effected, or can at least mainly be effected, by abandonment of lines. The evidence very clearly demonstrated that savings by abandonment of lines did not amount to more than 10 per cent of the total savings that are realizable. Even this 10 per cent savings, which might be described as attributable to abandonment, included such almost unused short lines as to the abandonment of which no railway made objection. There appeared no intention, on the part of any of those who gave testimony, of abandoning any lines save such as would, after argument from all interested, be deemed by the Transport Commission of Canada as proper to be abandoned without sacrifice of public interest. Very large economies were shown