

haul field can largely be attributed to the artificial advantage of operating against a railway rate structure of this kind, rather than to inherent technical superiority.

24. The problems which emerge from this set of circumstances are complex and will not yield to any single or simple solution. In the sphere of action open to Management, attention has been concentrated on improving service to the public and increasing the efficiency of operations. This objective has been assisted and can be further advanced, by the co-ordination of rail and highway services. In this connection the most promising field is to be found in providing supplementary or substitute services on the highway co-incident with the curtailment of rail operations on branch lines where, as a permanent condition, traffic revenues fall short of meeting direct costs. In general the policy of the Management is to employ road transport as an adjunct to basic rail services. Wholesale and indiscriminate entry into bus and truck operations is not contemplated.

25. Pursuant to this policy, 8 small scale trucking services and 2 bus services were inaugurated during the year. By virtue of a license secured from the British Columbia Public Utility Commission, an autobus service was begun between Prince Rupert and Smithers, B.C. The Mackenzie Coach Lines, providing a bus service in New Brunswick and Nova Scotia, were operated jointly with the Main Central Railroad, thus affording a bus route from United States points to Sydney and Halifax. Other such services have been planned and are awaiting action; for example the Canadian National proposed to the Province of Prince Edward Island a plan for bus and truck service co-ordinated with railway operations, which would greatly improve the quality of transportation in that Province. This proposal is now under active consideration.

ROYAL COMMISSION ON TRANSPORTATION

26. The Report of the Royal Commission appointed on December 29, 1948 to inquire into transportation problems in Canada was made public on March 15th, 1951.

27. Based on the recommendations in this Report, a number of important amendments have been made to the Railway Act giving certain responsibilities and directions to the Board of Transport Commissioners, affecting particularly the regulation of railway rates.

28. The amendment to the Railway Act under Section 332A defined the national policy in respect of equalizing freight rates. In this and in other amendments certain stipulations have been made in permissive terms leaving to the Board the exercise of their judgment in the final disposition of each case. Representations by the Canadian National in respect of such matters as the method of equalizing freight rates, and the determination of a uniform system of accounts, will be made at the appropriate time to the regulatory authority.

29. Pursuant to a recommendation by the Royal Commission, legislative provision has been made for the payment of a subsidy to the Canadian National and the Canadian Pacific towards the cost of maintaining trackage in a defined area north of Lake Superior. The amount of the subsidy, not to exceed \$7 million annually, is to be determined by the Board of Transport Commissioners.

30. The Report of the Royal Commission also called attention to the need for a more positive attitude toward railway line and service abandonments.