

"However, because the heavy capital expenditures for this programme of rehabilitation and modernization had to be concentrated into a relatively short period, at a time of high interest rates and rising costs for both labour and materials, the productivity gains and benefits obtained from the capital programme are somewhat obscured. Consequently, it may be some years yet before the financial benefits of our efforts to adjust the Canadian National to its modern environment can be fully realized....

#### NEW FARES POLICY

"Many of our new sales incentives are being tested in different regions of the country, while others have already been introduced on a national basis, such as group discount fares, simplified ticketing procedures, tickets by mail, and other travel incentives....

"...In total our equipment expenditures this year will amount to something over \$24 million. Our research and development department is continuously engaged in studies to find new methods to improve further our services to shippers everywhere across Canada.

"Our new visual-redesign programme, including the new CN symbol, is part of this overall plan to attract attention to ourselves and to our services. In fact, this very week the people of Edmonton will have a chance to see the initial run of our 'Super Continental' dressed in its new colour scheme, which has now been adopted by management for all the Company's passenger equipment....

#### SPECIAL DISABILITIES

"Despite all that we have done and are doing to cut costs and improve efficiency, we cannot hope to achieve a substantial improvement in our financial position while carrying the burden of what the recent report of the MacPherson Royal Commission on Transportation referred to as 'certain national obligations which reside with the railways as the legacy of tradition, law and public policy'.

"These burdens include the operation of certain branch lines and passenger services that have outlived the economic justification they may once have had; the continuation of a rigid and unrealistic freight-rate structure; the use of railways as instruments of national policy without adequate compensation; and the lack of full freedom to diversify services, as, for example, in the trucking field, in the interest of flexibility, economy and improved service.

"Many of these restrictions were imposed on railways as matters of national policy back in the days when railways had a virtual monopoly of transportation in Canada. They made some sense and, indeed, in many cases, may have been considered essential at that time. They do not make sense today, when fierce competition among many new and developing forms of transportation has removed the basic reason for many of the obligations. Also, they are not appropriate to the present day and age, when there is growing awareness of the fact that it is morally unfair, as well as economically unwise, to single out one form of transportation as an instrument of national policy and, in doing so, impose handicaps

on the ability of that transportation medium to compete with the others. Finally, such out-dated restrictions also prevent the shipper from enjoying the benefits of the most efficient service at the lowest cost.

#### A NECESSARY DISTINCTION

"The MacPherson Report makes this point very well when it recommends that a clear distinction be drawn between national policy and national transportation policy. National policy, the report points out, is that which uses transportation to achieve certain ends, which may be economic, social, political or even military. National transportation policy is, or should be, aimed solely at promoting efficiency and economy in the transportation system of the country.

"The railways have no objection, mind you, to being used within reason as instruments of public policy. What they want is a clear recognition of the fact that all forms of transportation today can, under certain circumstances, be instruments of public policy. And they believe that when any form of transportation is used as an instrument of national policy the fact should be clearly stated and adequate compensation paid, if necessary, from the general revenue of the country. If a government wants to aid particular shippers or particular regions on national policy grounds, it is entitled to take the political responsibility for so doing. But such aid should not be interpreted as a subsidy to the transportation industry but rather an 'indemnity payment' for performing the service that it is obliged to render.

"I, therefore, find myself fully in agreement with the MacPherson Report when it calls for a clear distinction between national policy and national transportation policy. But I believe also that, at the present moment, the broad objectives of these policies happen to coincide. The announced objectives of our national policy are a continuing expansion and diversification of industry across the country and a high employment rate to take care of an increasing population. The objectives of a national transportation policy are, as just mentioned, efficiency and economy in transportation. Now I am, and always have been, convinced that efficiency and economy in transportation is best achieved in Canada by allowing the free play of fair competition to decide what form of transportation is best fitted to serve what part of the national economy. After all, an efficient and economical transportation system is an important factor in promoting the industrial growth and high employment that are the objectives of our national policy....

#### LABOUR PROBLEMS

"...Another important matter that is continually with us, and which calls for a greater measure of realism, is the need for more effective procedures for the settlement of wage and other demands made by the railway unions. Perhaps a form of voluntary binding arbitration is the answer. What is required is an overhaul of the rules of the game in the labour code, so that there will be equal rights and responsibilities for all parties, and more adequate machinery for the settlement of disputes such as those that have characterized the railway industry.

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