

149. Possibly the year 1929 affords a striking example of what political and public pressure, presumably, were able to accomplish.

150. The Canadian National Railway requirements authorized by Parliament during the fiscal year 1929-30 were as follows:—

Canadian National Railway Budget for 1929	\$ 53,730,000
Canadian National Eastern Lines Deficit (1929) and 20 per cent reduction in tolls	6,808,172
Prince Edward Island Car Ferry construction	2,900,000
Branch Line Construction (1929-1932)	30,136,323
Montreal Terminals (Construction)	50,000,000
Acquisition of Railways	31,247,500
New Equipment Issue	18,000,000
	\$ 192,441,997

In addition, construction programs were proceeding under prior legislation, the unused authorities being for:—

Branch Lines Construction	\$ 9,482,021
Toronto Terminals Construction	3,583,863
	\$ 13,065,884
Total expenditures authorized	\$ 205,507,881

151. The actual cash expenditures during the same year covered by these authorizations amounted to \$113,859,777, the balance, \$91,748,104, being chargeable to subsequent years as construction work proceeded or obligations on account of roads purchased matured.

The foregoing does not take into account other legislation which provided for the refunding of \$18,000,000 of maturing securities, nor \$6,396,000 voted for the Hudson Bay Railway and terminal development, in the same year.

152. The net increase in funded debt of the Canadian National due the public for the year 1929 amounted to \$144,670,459; whereas the annual increase for the previous six years had averaged \$28,897,648.

153. Annual interest on the funded debt in the hands of the public, which, at the end of year 1928, was \$41,810,880, increased to \$55,587,145 at the end of the year 1931, due largely to the expansion policies of 1929.

154. When considering the scale upon which branch line extensions and acquisitions, as well as hotel expenditures were made, and railway and steamship services duplicated, it is impossible to avoid the conclusion that the Board of Directors and the management of National Railways were amenable to political influence and pressure, which it would have been in the public interest to have withstood.

CHAPTER IV

CONTRIBUTORY CAUSES OF THE RAILWAY PROBLEM

155. Before proceeding to discuss remedies for a solution of the transportation problem, it is proposed to summarize the factors that have contributed to our present situation. There may be differences of opinion in regard to the relative importance of these several factors, but there can be none as to their cumulative effect upon the railways or as to the necessity for a genuine attempt to improve the situation, both in the interests of the railways themselves and of the tax-payers of Canada. The principal contributory causes have been:—

1. The over-development of railways beyond the immediate needs of the country.
2. Aggressive and uncontrolled competition between two nation-wide railway enterprises, a competition the more disastrous in that one of the competitors was publicly-owned and supported by the full resources of the Dominion.
3. The reactions of the world trade depression which began in 1929 and has progressively increased in its severity with each succeeding year.
4. Competition from other forms of transport, notably road transport.
5. Inelasticity of freight rates and railway practice generally which prevents prompt action in the meeting of falling revenues and dealing effectively with competition from other forms of transport.
6. Contractual arrangements with labour organizations which set up a rigid wage scale and inflexible labour practices generally.
7. The special disabilities of the Canadian National Railways due to:—
 - (a) Assumption, through Government action, of liabilities of insolvent railway systems for reasons of national credit.
 - (b) Large capital expenditures for improvement of the physical condition of the absorbed systems.
 - (c) Political and community pressure on the management arising out of direct government control.

Of these items, three have already been dealt with in the preceding chapters, i.e., aggressive and uncontrolled competition, political and community pressure on the management of the Canadian National, and the burden of excessive capital liabilities of the latter system. No further discussion of these matters is called for here.

I. EXCESS MILEAGE

156. In the earlier part of this report emphasis has been laid on the excess mileage of Canadian railways. The policy of branch line expansion in the period 1924 to 1930 has also been dealt with. It has been pointed out that the population per mile of steam railways in the United States is more than double that in the Dominion, and competent railway authorities in the United States concede that there is a great excess of mileage in their country. Reference has been made to the low traffic densities prevailing upon the greater part of the Canadian mileage. The traffic density maps, which accompany this report, tell the story in graphic form. In the interests of sound railway practice,