

competition always increases as business decreases. There are always renewed efforts put forth by our competitors to get more and more business.

Hon. Mr. EULER: You can hardly slacken your efforts in the face of that?

Sir HENRY THORNTON: You cannot slacken effort. The only comparable rule is how does traffic expenses of this railway compare with other railways which are presumably operated with intelligence.

Mr. MACMILLAN: How do they compare on a unit basis?

Mr. FAIRWEATHER: Well, sir, I gave the comparison on a unit basis.

The CHAIRMAN: Mr. MacMillan, your question was not heard very well; I would like you to repeat it.

Mr. MACMILLAN: I was asking for the comparison on the unit basis that Mr. Fairweather was speaking of, for the years 1923 and now.

Mr. FAIRWEATHER: Oh, I could give you that. In 1923 the per cent on our traffic was, of all expenditures, 2.4 per cent. In 1928, the year of our peak business the per cent was—I put this as the percentage of revenue, do you mind? it is really what it should be comparable to—it was 2.5 per cent again. Then, our traffic expenditures marched up with our revenue, proportionately, but, of course, in the period about which we are speaking, we increased our revenue by nearly 60 millions while we were increasing our traffic expenditures by about two millions.

Mr. CANTLEY: About the same ratio.

Mr. FAIRWEATHER: Yes. Now, in 1930 on the all inclusive system the per cent of revenue has gone up to 3.4 per cent.

Mr. HACKETT: The observation I wish to make and to put in the form of a question is this, the advisability of increasing expenditures in this item will depend, naturally, upon the character of the sum total of items which go to make it up. There are some of these expenditures which—are all these expenditures susceptible to increasing the business of the road?

Sir HENRY THORNTON: But that is not an easy question to answer, but I shall endeavour to do so, as well as I can. Broadly speaking, if the railway traffic department is operated with any intelligence the increased expenditure is supposed to be reflected in some improvement in revenues, or if not an improvement in revenue, at least in an effort to retain what revenues the railway already has. Now, that is exactly like the operation of any other industry. The individuals who are charged with the responsibility and with the policy of an institution or enterprise, particularly its sales policy, have to make up their minds from their knowledge and experience of the business what they ought to spend, having regard to the conditions that surround them. That is what officers are hired for. You hire an individual in an enterprise because of his knowledge and experience in the business; and he exercises that knowledge and experience in the determination of a policy which he thinks is essential to the welfare of the business. We have felt on the Canadian National Railway that we have probably not spent enough, and, in fact, if you take railways as a whole and compare them to other enterprises, other manufacturing institutions, they spend less on advertising, less on salesmanship than most large manufacturing enterprises, and speaking professionally, from the point of view of a railway officers, I think that the criticism that might be justly levelled against the railway industry of the North American continent is that their salesmanship has been insufficiently aggressive.

Mr. HANBURY: Hear, hear.

Sir HENRY THORNTON: As I tried to show at previous meetings of this committee, the Canadian National Railway, when I became connected with it, was generally unknown on the North American continent. I have had many