

tion, where the advantages of shortest and cheapest routes come into play, advantages which cannot be obtained except under a system of unified management. There were also savings in respect of delivery of empty cars. We were given a picture of empty cars running east on the lines of one road, while another stream of empties ran west on the other road. This would be avoided under unification. And there would be savings in the redelivery of empties to American roads, in consolidation of trains, by having cars fully loaded instead of half loaded. All these things are made possible only if the two systems are operated under joint direction. Further savings in seven figures were estimated from unified management of express and telegraph offices.

Estimates were presented under these various headings, and there was no difficulty in understanding them. That vast savings would result from unification was made abundantly clear.

How were these estimates attacked? First, it was said that a lot of reductions in expenses had been made already. Canadian National witnesses—chiefly Mr. Fairweather—said, "Our expenses are \$47,000,000 lower than they were in 1930, and this reduction cannot be made over again." In that statement those witnesses persisted, unless one cornered them pretty closely. But the fact finally emerged that savings made by a single road are entirely or almost entirely distinct from savings possible under unified management. For instance, there can be no avoidance of duplication by a single road. It was shown that out of the \$47,000,000 only about \$4,000,000 was included in the estimated savings under unification. And while it was admitted that the estimated savings should be reduced by that \$4,000,000, it was also established that there was an additional \$9,000,000 of practicable savings which had been omitted from figures submitted to the Duff Commission; so the original estimates to that commission were left intact and unimpaired.

A second ground for attack upon the estimates was that the unit costs of the Canadian Pacific Railway would not apply to Canadian National operations. In this new document which was handed to my honourable friend opposite (Hon. Mr. Dandurand) and which he presented to the House, Canadian National officials lightly toss aside \$20,000,000 of estimated savings as due to wrong application of unit costs. May I discuss that for a moment? One of the main methods employed by Canadian Pacific officials and accountants was this. They took the costs of a unit of railway operation in respect of, say, express trains, or freight, or car repairs,

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or locomotive maintenance, or right-of-way maintenance, and applied that over the united system, and, comparing their total with existing totals under separate management, thereby showed that savings could be made in respect of those various items. Canadian National officials say, "It is not fair to apply Canadian Pacific unit costs to the Canadian National, because our density of traffic is less, our conditions are different." The Canadian Pacific made an answer, to which the Canadian National obdurately refused to refer. That answer was this: "We are not applying our unit costs to your road. We are not impugning the efficiency of your management"—and they never did, though they made no admissions that it was as good as theirs—"we are only seeking to apply our unit costs to a new system composed of both roads."

Hon. Mr. DANDURAND: But covering the Canadian National.

Right Hon. Mr. MEIGHEN: Certainly. But that is far different from saying that the Canadian Pacific could apply their unit costs to the operation of the Canadian National as a separate system.

Hon. Mr. DANDURAND: And they could not.

Right Hon. Mr. MEIGHEN: They never said they could. All they did was to apply their unit costs to the combined system. If the Canadian National had the same density of traffic as the Canadian Pacific, and there were an equality of other conditions on both roads, then unification would result in lower unit costs over the combined system than those now applicable to the Canadian Pacific alone. That is only reasonable, because the more business you handle the lower your unit costs must be. But the Canadian Pacific said: "Admitting that you have a more expensive road to operate than ours is, we feel that reductions in expense consequent upon unification would result in unit costs for the combined system as low as those at present applicable to our own separate road." I ask honourable members if that is not reasonable. Is there anything in the way of a boast there? At least the reasoning was never afterwards attacked. Yet my honourable friend asks the House to deduct \$20,000,000 from estimated savings because Canadian Pacific unit costs are not applicable to the Canadian National.

It is true that in certain minor particulars the Canadian Pacific's estimate was found to be erroneous. In the aggregate those errors were small. They were atoned for by other economies shown to be practicable, though their exact figures could not be calculated.