

per cent preferred stock, to give a return to their ordinary shareholders of very nearly 10 per cent. Again I must say I find it extraordinarily difficult to believe that in the circumstances which existed in 1937, and which affected all the railroads of the country, the Canadian Pacific would have been able, under any conceivable conditions of operation, to earn practically 10 per cent on their common stock.

I think what would happen if unification were brought about would be something like what we were told happened in Great Britain. Honourable senators know that there in 1921 more than 120 lines were consolidated into four large systems. In a memorandum which was submitted to us, but which I could not lay my hands upon before coming into this Chamber, we were told that this is what happened. When in 1920 the President of the Board of Trade introduced into the House of Commons the Bill for the unification of the British railroads, he predicted enormous immediate savings running into many millions of pounds sterling. When it came to the actual results from that pooling of the roads, those savings did not appear; they vanished—they were not there. The statement went on to say it was undoubtedly the fact that there had been very considerable savings since unification of the railroads in 1921, but that it had been impossible at any time to say to what extent, if at all, those savings were the result of unification, and to what extent they were due to improvements in transportation, and that the railroads themselves had never attempted to allocate them in order to show in any way what, if any, proportion of the savings had resulted from the unification.

It is a matter of conjecture. I think anybody will agree that unification would bring about larger and quicker savings than voluntary co-operation. It is merely a question of degree for the people of this country to determine whether they are willing to take the risk which adheres to the policy of unification. Let us say for example—and this is probably an outside estimate—that the savings on the railways from unification would be \$10,000,000 or \$15,000,000 more than they could be under voluntary co-operation. It is then a question for the people of the country to decide whether they wish to continue to tax themselves to the extent of an additional \$5,000,000 to \$7,000,000 or \$8,000,000 a year for the purpose of maintaining the corporate entities of the two systems and avoiding whatever dangers might result from unification and from the monopoly which would thereby be occasioned.

Hon. Mr. HUGESSEN.

The people of this country are, I think, instinctively opposed to so vast a monopoly as would be created by the unification of the two systems. I fully agree with the honourable senator from Montarville (Hon. Mr. Beaubien) that as regards service there would probably be as good service under unification as there is to-day. But it is not in the type of service that danger would arise. The danger would arise from having a single industry with 120,000 employees and with \$300,000,000 to spend in the country each year. That would be a state within a state. It is quite conceivable there might be a great deal of political danger in setting up so vast an entity as that. I am a democrat, I believe in democracy, and I believe that normally the instinct of the people in matters of this kind is right.

But, quite apart from the immediate effects of unification, there are certain inherent dangers in that policy, and, in all humility, I should be disposed to ask honourable senators who favour that policy whether they are quite sure whither it will lead them. It is my belief that unification would sooner or later, and probably sooner rather than later, lead to purchase of the Canadian Pacific Railway and government ownership of the entire rail system of the country.

Hon. Mr. DANDURAND: Hear, hear.

Hon. Mr. HUGESSEN: As soon as unification had been brought about there would immediately be an urge for the purchase of the Canadian Pacific Railway, and that would come from two quarters. It would come from the security holders of the Canadian Pacific Railway Company whenever there was any question of making a capital expenditure on the railways which might be considered in the national interest, not one which showed an immediate cash return. From the labour unions also would come a demand for the purchase of the Canadian Pacific Railway. In that connection let me call the attention of honourable members to what actually has happened in Great Britain. We had before us a few days ago in the committee a witness who took the trouble to send a cable to the head of the National Union of Railway Men in Great Britain, an organization representing 475,000 British rail workers. This is the cable:

Certain interests here urging Parliament unify two large railway systems, basing argument on British practice. Please cable attitude British railway men towards consolidation already achieved, and if now advocating complete unification state on what basis.