

done in the city of Ottawa. The employment of counsel, familiar with the voluminous evidence on file, would greatly facilitate its efforts. The board would only require such expert advice as it might find necessary in order to enable it to arrive at a satisfactory conclusion on any point in doubt. This item of expense would be the minimum the situation necessitated.

Fifth—The board would inquire into the problem as a whole, taking into account what is best for the nation and not one section or aspect alone, of the issue, which is most difficult to judge separated from the whole. Its findings in this way would be for the general good and well-being of Canadians.

Sixth—The findings of the board would undoubtedly prove of inestimable value to the Government of the day in dealing with any eventuality which might occur in our railway situation.

May I say, as a member of the committee, after attending its meetings for the last two sessions, I have come to the firm conviction that this question must be lifted out of the atmosphere in which we now find it, if anything worth while is to come out of our inquiry.

The exigencies of the situation demand that we place this question before the highest and most unbiased judicial body the country can command, whose judgment on the entire railway problem will be accepted by the Canadian people.

It is with this hope that I submit for your consideration this proposal.

I welcome the opportunity of speaking early in this debate so that honourable members of the special committee, as well as honourable members of the House, may have the opportunity to criticize my suggestions, all of which I hope will make for a clear understanding by the public of the issues involved in our railway problem and the different points of view by which we arrive at our conclusions. I trust this discussion will not only bring about a truer understanding of the situation, but will materially help to crystallize public opinion.

I would not wish my remarks to-day to be considered critical of either railway system. Both systems have made mistakes. But what individual doing business has not made mistakes? The reasons for, or the extent of, these mistakes are not now worth the time required in referring to them. It is all water over the dam. We have the results before us in our railway deficits. Nothing more need concern us at this time.

I feel that our railways have done very well in the difficult situation which has prevailed. The results compare very favourably indeed with the results of similar railways in the United States, where there is a much greater density of population and traffic, and where higher railway rates prevail.

Honourable senators will, I am sure, be interested in a short review of the railway situation in the United States, where conditions are very similar to conditions in Canada.

A Washington dispatch states that one-third of the rail mileage in the United States is in bankruptcy or receivership; that the trouble with the United States railways, in addition to diminishing business and over-capitalization, is the increase in wages and taxes, which have doubled since 1899; that there is little possibility of any great gain in revenue; that capitalization must be based on earning capacity or the roads will continue to crumble and fall as they have done in the past.

It reports Senator Wheeler, of Montana, as suggesting legislation which would create a new court with exclusive jurisdiction over bankruptcy and receivership. This court would have full authority over re-organizations and might materially reduce the face value of railway securities, so that they would fairly reflect the earning capacity of the re-organized companies. This, it says, savours of confiscation and is being bitterly attacked by insurance companies, educational endowments, and other institutions which have railway bonds in their portfolios. Prior to the depression it was said that these savings institutions held most of the United States railway securities, estimated at that time at about twenty billion dollars.

The report goes on to say that the railway is a national institution which must not be allowed to perish, that government ownership is not popular in that country, but that government handouts to the railway companies will accomplish little.

That gives very tersely the general situation.

A reliable report I have before me states there are 141 Class 1 railways in the United States. These are the railways whose annual gross revenue exceeds one million dollars. In 1938, all Class 1 railways had \$509,000,000 income available for fixed charges, which totalled \$615,000,000. Roughly, their net earnings were \$100,000,000 short of fixed charges. To be exact, they earned, collectively, 82 per cent of fixed charges.

The interesting part of this statement is the mileage abandoned in the last eight years. At the end of 1937 the United States had 414,572 miles, as compared with 429,054 miles at the end of 1929—a decrease of 3 per cent in eight years. An interesting comment in the statement is that the abandonment of railways there has been hampered by the inability of the railways to take any such action without the approval of the Interstate Commerce Commission. Characteristically, it says that the Interstate Commerce Commission has shown reluctance to grant applications for mileage curtailment. The Interstate Commerce Commission occupies the same position in the United States as our Transport Board in Canada, and it is worthy