

tions are on a comparable basis. A detailed analysis and comparison of the operating accounts of the Canadian National and Canadian Pacific was made by an independent railway accountant employed by the commission to ensure a fair basis of comparison between the accounts. The results of this comparison appear in the following table:—

OPERATING RATIOS

Year	Canadian National	Canadian Pacific
	per cent	per cent
1923.....	91.8	81.0
1924.....	92.5	80.5
1925.....	86.7	77.3
1926.....	82.5	73.8
1927.....	84.9	78.5
1928.....	82.0	75.4
1929.....	83.6	77.3
1930.....	91.4	78.4
1931.....	99.8	80.3

139. There are undoubtedly factors that adversely affect the Canadian National in comparison with the Canadian Pacific. The officers of the National system operate two great railroads which were constructed as competitors, with consequent duplication of tracks, shops and facilities, a condition which the co-ordination which has gone on progressively for a decade has not yet entirely overcome. There are also considerations of lighter traffic and shorter average haul with consequent greater terminal and yard expenses in the case of the National lines.

140. The Canadian Pacific was constructed and developed as a single unified system of railways and thus avoided many of the disadvantages which apply to the Canadian National system.

141. An analysis and comparison of accounts of both companies, with due regard to the considerations put forward by the Canadian National as adversely affecting their operations, do not, in our opinion, justify the very considerable differences in the operating ratios of the two systems.

X. POLITICAL AND PUBLIC PRESSURE

142. The conduct of the affairs of the National Railway has been subjected in the past to political and public pressure. It is, however, necessary to make a distinction between unwarranted political interference and the influence of broad public policy. To the latter category belong several of Canada's major transportation schemes, such as the Intercolonial and Canadian Pacific projects, which were the outcome of definite political arrangements based upon broad national considerations. Others, such as the original Grand Trunk, in a lesser sense, and the Canadian Northern and Grand Trunk Pacific in more marked degree, represented a compromise between the aims of private promoters and the endeavour of the state to turn those ambitions to national advantage. While certain of these projects became warmly contested political issues, they were endorsed by the Canadian electorate at successive general elections, and were accepted as approved national policy.

143. The majority recommendations of the Royal Commission on Railways and Transportation in 1917 were designed to provide safeguards against political interference which is instinctively to be feared in the conduct of a public enterprise of the magnitude and character of the Canadian National Railways. But

the Government of the day declined to follow the plan of organization recommended by the commission, which was in substance to place control in a permanent and self-perpetuating Board of Trustees.

144. There was adopted, instead, the plan which is contained in the Canadian National Railway Act. This Act provides for a Board of Directors to a maximum number of seventeen, appointed by Order in Council, holding office from year to year. Appointment to the office of chairman of the board and president of the company is made by the Government, and concurred in by the board.

145. Under the circumstances, the directors' functions have been in practice nothing more than advisory. It would seem that they generally gave formal approval to programs of expenditures which they appeared to regard as the main concern of the president and the Government. This left the railway open to political influence and to public pressure exerted by communities and by associations of business and labour interests.

146. Of direct political interference by ministers and members of Parliament in the detail operations of the railway, we were assured by the officials there was little or none. It was in the larger sphere of policy that political considerations led to unwise and unnecessary capital expenditures, the result of which was to create an atmosphere in which the ordinary principles of commercial operation of the railway were lost sight of.

147. The President of the Canadian National Railways, in a considered statement made to this commission in the course of its inquiry, expressed the following views:—

"One of the inherent disadvantages of any state-owned enterprise such as the Canadian National Railway, is the problem of political interference—and one might also add, public pressure. In making this statement I wish it distinctly understood that I imply no criticism of any party or any government, present or past. I merely state a fundamental and universally admitted condition.

"The leaders of all political parties and the people of Canada as a whole are a unit in their desire to prevent political invasion of the Canadian National Railway. But the plain fact is that, irrespective of such wishes and desires, the problem presents difficulties beyond the control of our leaders, be they ever so patriotic or high minded. After all in any form of popular government it must be accepted as axiomatic that the business of government is politics and, irrespective of whether one likes it or not, politics is something with which a government must reckon in all its activities."

148. The President of the Canadian Pacific appeared to be more concerned over the activities of what he termed "politically-minded" executives of the publicly-owned railway than he was over straight political pressure for definite ends. He said:—

"We talk a great deal about political interference being damaging to railway operations, and we know that that is true, generally speaking. But when we say it we seem to think the only political influence is that exercised by a government, or a member of government, or a member of parliament. To my mind the worst kind comes from the political attitude of men in publicly-owned institutions. Possibly they are not conscious of it, but they become politically-minded; their policies and actions have a political tinge, and that, from my standpoint, is more serious as representing the attitude of the corporation than the isolated act of a member of parliament who tries to get a man employed.

"Years ago the ability of privately-owned railway companies to withstand political pressure was somewhat limited. To-day it is nothing like it was, because we can say 'no' to that kind of pressure. But the politics that develop inside an organization because it is publicly-owned, and not privately-owned, is a serious thing.

"We spoke of not being able to anticipate what government policies would be towards any railway, and I believe we cannot tell from year to year what the policy of any government would be in respect of its railway property. Providing it owns it, and has a measure of control of its policies, and so long as they are putting up the money we cannot avoid that possibility."