

### Reasons for Inaction

It is contended that the expenditure of the Canadian National, even if excessive, provides for the subsistence of a portion of the population which, otherwise, might be under relief. Obviously, this is fallacious, as nothing guarantees that such excess in expenditure goes to those otherwise in need of it and, above all, as such policy, if accepted, would lead to unrestrained wastage in all Government departments.

The complacent state of mind of many witnesses, including some officials, who seemed anxious to see the country resign itself to the perpetuation of unbearable deficits, is deplorable. To this end it was represented that these deficits were but an apparent loss to the country, as the Canadian National provided for the nation an equal value in services which were essential to its present well-being and future development. Such a contention is utterly inadmissible, as like adequate services can be, and in fact are, rendered by the other railway system in Canada, and by similar companies in other countries, at no cost to the nation.

Witnesses appearing before the Committee outlined solutions of the problem, in which there was implied no abandonment of essential services, but all were designed to reduce or eliminate unnecessary duplication and redundancy of services.

It is obvious that relief can be obtained otherwise only by a very large increase in revenues, which appears to be definitely unattainable either through increases in rates or through any conceivable growth of traffic.

### Remedies Suggested

Three different methods were proposed to the Committee for securing economies to reduce the burden of Canadian National deficits.

#### Voluntary Co-operation

A more effective application of the co-operative provisions of the Canadian National-Canadian Pacific Act, 1933, was recommended.

This suggestion is far from being promising. Since the coming into force of the above law in 1933, the total savings from arrangements now in effect, and others agreed upon by the railways but not yet in effect, will be less than \$2,000,000 per annum.

Five years of trial has, it must be admitted, demonstrated that economies to be effected through voluntary co-operation are of a very minor order. Further, the evidence submitted on behalf of the officials of both railways made it abundantly clear that hope for the future in this regard is practically negligible. The absence of singleness of interest in the result to be obtained by economies, the continuous and not unnatural jealousies of officials as to the prestige of and immediate consequences to their respective properties, make the securing of what they describe as a balance of burden and advantage the subject of a long drawn-out and almost always futile struggle. In this respect any contention that the larger measure of responsibility for this futility rests on either one of the two companies more than on the other cannot certainly be supported by the evidence.

#### Enforced Co-operation

A second recommendation, made by the President of the Canadian National, provides for the injection into negotiations between the railways of a new body consisting of a repre-

sentative of each of the railways, and a chairman appointed by the Government, the chairman to have an over-riding vote. This body would have authority to initiate studies of any project suggested by any individual member, and, if a favourable report was made by a majority, or by the chairman alone, the proposal would automatically go before an Arbitral Tribunal for final decision. It was argued that this would relieve the railway companies of the stigma which would attach to agreement to undertake unpopular economies. As to the latter point, it would be most unwise to depend on the Government voluntarily submitting to public odium—as the result of the action of its representatives—a public odium which railway officials themselves admit they have recoiled from incurring. Experience proves that no Government will incur odium knowingly. The suggestion appears to be useless.

It might be pointed out as well that there would seem to be a dangerous responsibility assumed in establishing, as the effective agent of enforced changes in operation or physical assets, a Board on which two members would, as between the two railway systems, be representative of one, and only one representative of the other. It is important to avoid with the utmost care any enforced action which might be the ground of liability to the country later on.

It seems to us the sooner the people of Canada accept the conclusion that co-operation of two competing systems cannot be effective in any worthwhile way in bringing about absolutely needed economies, the better it will be for the establishment of some really effective remedy and for the solvency of our country. In this connection it must never be forgotten that the railways are in a death struggle for a living, and while that struggle continues, each will fight for itself. The consequence of this mutual destructiveness falls on the taxpayers of Canada. It was very strongly urged before your Committee that such mutual destructiveness can only end when the officers and employees of both systems are working wholeheartedly for a single economic end.

#### Unification of Management

The third suggestion made was unified operation by a single management of the Canadian National and the Canadian Pacific, each company continuing to own its respective properties, and no guarantee being given to the Canadian Pacific of a return on its stock or on its bonds or other capital issues. Each company would continue to receive, under unified operation, the net earnings which past actual results over an agreed period of years indicate that each would have received as an independent institution, and additional net earnings made available by the economies of unified operation would be shared between them on an equitable basis. It was intimated that of these additional net earnings the Canadian National should receive at least half. The suggestion was that unified operation would be under the control of a Board to be created by Parliament and to be composed of fifteen directors, five of which would be selected by the Government or by the Canadian National, five by the Canadian Pacific, and the remaining five by the directors already chosen, or by some other appropriate method.

This proposal was met at the outset by two objections:

Firstly.—It was contended that such unified management would create a huge and possibly an oppressive monopoly.