

a high point of 109,000 in 1929 to a low point of 74,000 in 1933. In 1931, the deficit for the year was nearly \$61 millions, and from 1931 to 1938 the average annual deficit was \$52 millions. During that period, controversy raged about the future of the C.N.R. and serious attempts were made to persuade the Governments of the day to abandon the effort and to amalgamate the two trans-continental systems under private enterprise management. There were conflicting views about the type of managerial machinery that should be employed. The mood changed from an emphasis on expansion to one of retrenchment, even to the point of foregoing the necessary maintenance of the property. The demoralizing effects of annual deficits that were widely discussed as being ruinous to the country were observed on every side.

The "Caretaker Period" came to a spectacular and abrupt end with the advent of war in 1939 which caught the railway unprepared, but, because of its call to patriotism, presented an even more stirring challenge to the railway organization than the 1923/1931 period. Here was the supreme test for the railwaymen and their machines and the response of the C.N.R. to the demands of war, and indeed of all railways of Canada, was an all-out effort. Every other interest was subordinated to the overriding needs of wartime transportation of goods, material, and human beings. Unfortunately, with the war came scarcities of material, and despite emergency action to obtain such needs as steel rails, equipment, and motive power, the entire war period was one of improvisation and exhaustion of the property. During the period 1938 to 1945, annual revenue ton miles all but trebled and passenger carryings jumped nearly five-fold. From an annual deficit of \$54 millions in 1938, C.N.R. earnings under the impact of wartime demands jumped to a published surplus of \$35 millions in 1943, and during the period 1941 to 1945 the annual surplus averaged \$22½ millions. This, of course, is but one demonstration of the fact that the C.N.R. as an operating plant needs volume to produce satisfactory results. But even more significant is that these figures showed clearly the influence of wartime shortages and controls on costs, both in respect of labour and materials. For this review, however, the important point to realize is that the exhaustion of war came on top of a long period of caretaking management which meant that the post war period brought imperative demands for rehabilitation.

The fourth stage, commencing with the post war period, was and is, for descriptive purposes, a double-barrelled one, and can be termed the "Rehabilitation and Reorientation Period". Simultaneously, facing management were the compelling needs to quickly restore the property from the ravages of war and to meet the challenge of new competition. With the sudden release of equipment and material that had been absorbed in the war effort, the full impact of the changing technology of transportation began to be apparent. I refer,