

nevertheless have managed to achieve a very considerable degree of prosperity. One example comes to my mind at once: it is the prosperous condition which existed in Great Britain from about 1930 until a year or two ago, and that at a time when its taxation was on a higher scale than ours. I do not believe our taxation is any higher than that of other countries similarly situated. The difference, it seems to me, is this—and it is really the fundamental point of the whole thing—that by reason of the geographical and economic position to which I have referred we have to spend more of our national income on railway transportation.

I want to deal for a few moments with the particular problem before the House. Like the honourable senator who has preceded me (Hon. Mr. Black), I am half of Scotch descent, and I resent undue waste of public money.

We were met in the committee by a large number of witnesses, particularly witnesses for the Canadian Pacific Railway, who supported the plea for unification and told us that from this plan, on the basis of traffic in 1930, we could expect annual savings of \$75,000,000, or, on the revised basis of the level of traffic in 1937, savings varying from \$56,000,000 to \$59,000,000, depending upon whether certain railroads were abandoned or not.

I have the greatest admiration for those witnesses. I believe they gave their evidence in perfectly good faith, and I wish I could participate in their enthusiasm. I do not believe the savings which they suggested could in fact be made under unification. It is of course difficult to test the accuracy of theoretical estimates, but I did make one attempt to test this estimate of \$59,000,000. For the benefit of the honourable senator from Montarville (Hon. Mr. Beaubien) I may say that I did this without help from anyone and with such limited intelligence as is permitted to me. If you assume that unification had been completed by 1937 and was in operation in that year, and that half the savings of \$58,000,000 accrued to the Canadian Pacific Railway, then, applying those figures to the actual operating figures of the company for 1937, you get some rather surprising results. In 1937 their income from railroad operation was approximately \$145,000,000, and their working expenses were \$121,000,000, which gave an operating ratio of 83·6 per cent. As honourable members know, operating ratio is a term very commonly used in railway parlance throughout this continent and refers to the number of cents spent to earn a dollar. For 1937 the Canadian Pacific Railway actually spent 83·6 cents to earn a dollar. Now, on the assumption that unification had been completed and was in full operation

in 1937, and that there had accrued to the Canadian Pacific Company as a result one-half of the \$58,000,000, that is \$29,000,000, they would presumably still have their gross earnings of \$145,000,000, but would have \$29,000,000 less of working expenses, and that would give them an operating ratio of 63·5 per cent.

Now, honourable members, that is a very remarkable figure. The operating ratios of the nineteen principal railroads of the United States for 1937 appear at page 1185 in No. 20 of the proceedings of your committee. Each of them earned \$75,000,000 or more. Of those, two only had an operating ratio of less than 63·5 per cent—the theoretical Canadian Pacific operating ratio: they were the Chesapeake and Ohio and the Norfolk and Western. I will eliminate those two railroads for the reason that they operate under exceptionally favourable traffic conditions and their operating ratios have at all times been very much less than those of the other lines, because the great proportion of their traffic is coal, which they load in the mountains and run downhill to the seaboard at Norfolk and Old Point Comfort. I think it is generally recognized in railroad practice that railroads which have such a particularly favourable condition have always a very much lower operating ratio than lines engaged in general traffic. I know it was the case before the war with several lines in South Wales which ran under similar conditions down the coal-bearing valleys to Cardiff, Swansea and Newport.

Of the seventeen remaining big lines of the United States the actual operating ratios in 1937 averaged 77 per cent, as against the theoretical Canadian Pacific Railway operating ratio under complete unification of 63·5 per cent. I find it very difficult to believe that under any system of co-ordination, co-operation, or what you will, the operating ratio of the Canadian Pacific could ever be so very much less than the average operating ratios of those class 1 lines in the United States. That was the first test which I attempted of the Canadian Pacific theoretical 1937 unification figures.

The second test arose from the same set of figures, which I carried through to the net receipts of the Canadian Pacific Railway available for payment to its shareholders. In 1937 the Canadian Pacific, after payment of all expenses, bond interest, taxes and so on, had a balance available for its shareholders of \$9,000,000 odd. Let us take the additional \$29,000,000 in savings which they say they would have achieved in that year under unification and add to that the \$9,000,000 which they actually earned. That results in a figure of about \$38,000,000, which would be sufficient, after the payment of dividends on the 4