

HOUSE OF COMMONS

Tuesday, February 21, 1950

The house met at three o'clock.

CANADIAN NATIONAL RAILWAYS

REDUCTION IN PASSENGER TRAIN SERVICES—COAL SUPPLY—CORRESPONDENCE

Hon. Lionel Chevrier (Minister of Transport): Mr. Speaker, in my statement to the house on Friday last, February 17, concerning the reduction in passenger train service on the Canadian National Railways, I made reference to a memorandum which had been given to me by Mr. Donald Gordon, president and chairman of the Canadian National Railways, as well as a letter of explanation given to me by Mr. Vaughan, the former president of the railway. In view of the comment that has appeared in a certain portion of the press I think I should read these documents to the house.

The memorandum prepared by Mr. Gordon reads as follows:

The significant events surrounding the development of a shortage of coal which forced the emergency reductions in passenger train service in the Canadian National Railway system are as follows:

1. The program for coal stocks approved by the board of directors at its meeting in October 1948 contemplated an objective of 2,365,000 tons as of December 31, 1949, about four and one-half months' supply. In actual fact, the stock position at December 31, 1949, was only 1,043,000 tons, which, taken in conjunction with a serious interruption of supplies arising out of labour disputes in United States mines, meant a condition of emergency with only twenty-four to twenty-six days' stockpile in the heavy traffic region.

2. If the stockpile objective as approved by the board of directors had been attained, a reduction in train service would not have been necessary unless there had been a complete interruption of supplies covering, say, a three or four months' period.

3. On June 9, 1949, Mr. R. C. Vaughan, as president, took responsibility for directing the purchasing department that the coal stockpile objective should not exceed approximately three months' supply, in the belief that, under normal conditions, such a supply would be ample.

Mr. Vaughan's judgment in making this amendment in the coal stockpile objective was based upon:

(a) a desire to reduce the financial cost of maintaining a large inventory, which already stood at \$72 million, and to avoid the possibility of having to make further borrowings for working capital purposes;

(b) a belief that serious labour disputes in the United States mines would be avoided and that coal supplies were likely to be ample with prices likely to soften;

(c) the desirability of reducing expenditures in United States dollars as requested by government;

(d) the fact that traffic was showing a declining trend.

4. In the event, as is well known, there have been a series of work interruptions in U.S. mines as follows:

June 13, 1949: five-day work stoppage.

June 25, 1949: two weeks' vacation period.

July 11, 1949: three-day-a-week work program.

September 19, 1949: strike, fifty-one days.

December 1, 1949: walkout. Modified by resumption of a three-day-a-week program December 5.

January 3, 1950: wildcat strikes throughout United States coal fields.

As well, unprecedented bad weather conditions resulting in floods and slides in the open pit mines seriously reduced production.

5. While orders for the purchasing of United States coal had been held to a minimum in accordance with government policy for the conservation of United States dollar expenditures, the actual orders placed for Canadian and United States coal jointly would have been sufficient to meet requirements if regular deliveries had been maintained from the United States mines. However, as a consequence of these work interruptions current shipments on orders to meet consumption could not be maintained, and the C.N.R. stockpile, which by December 28, 1949, had fallen to only 1,043,000 tons spread over the entire system, was not sufficient to take the risk of an extended interruption of coal deliveries.

6. The reduction in passenger train service put into effect totalled 89,000 miles, as follows:

Atlantic region	13,700
Central region	45,800
Western region	26,300
U.S. lines	3,200

—bringing about an estimated reduction in coal consumption of 1,010 tons per day. The number of train service employees affected by this reduction is estimated at 500.

7. In summary it seems clear that the work interruptions in the U.S. mines form the basic reason as to why the Canadian National Railways were unable to maintain coal supplies. Canadian coal is used on all Canadian regions, but the supply of usable Canadian coal available to the C.N.R. falls far short of meeting the over-all needs of the system, particularly in the central region. The development of the labour disputes in the U.S. mines and the interruption of coal deliveries found the C.N.R. in an inadequate stockpile position, and action had to be taken to conserve system stockpiles and use them to the best advantage so as to reduce public inconvenience to a minimum. While the stockpile at the end of the year still showed about fifty days' supply over the whole system, it was, of course, not spread evenly, and a critical area of shortage had developed in the heavy traffic central region; consequently, in order to prevent more drastic reduction in passenger service later on, Mr. R. C. Vaughan and the operating and the purchasing officers of the railway deemed it necessary as a precautionary measure to put the temporary twenty-five per cent passenger train reduction into effect, and it was considered only