

Railways, as if it were intensely concerned over the destiny of its rival. As a matter of fact, the Canadian Pacific Railway has been going down grade also. It cannot pay dividends to its ordinary shareholders, nor to its preferred shareholders. Its margin of profit over net operating expenses is gradually vanishing. The Canadian Pacific knows full well that many American railways have fared very badly these last few years, and that quite a number have gone into receivership. The privately-owned railways in France have been unable to stand the strain. The British railways are in a similar plight. They showed a decrease of twenty-three and one-half per cent in their net revenue for the year 1937, though that was the best year since the beginning of the depression in 1929. Upwards of 1,800 millions' worth of railway stock earned no dividends in 1937, as compared with 390 millions' worth the year before. This decline in railway revenues is much more pronounced than has been the decline in general trade, though Great Britain is not handicapped, as we are, by constitutional difficulties in co-ordinating charges among the various carriers.

The Canadian National, like the Canadian Pacific, has been affected by conditions which prevail throughout the world. But of the two roads the Canadian National has a much heavier load to carry, because of its extensive operations in regions which are now lean, but which it must serve in the interest of the country. If these services were carried in a separate account, the Canadian National would show quite a different result; and yet our financial obligations would not be altered. It is self-evident that the Canadian National is operating these non-productive lines for the State. It will be remembered that Sir Edward Beatty stated before the Duff Commission that no private enterprise could carry the capital load of the Canadian National Railways. That statement was made on January 5, 1932, and is to be found at page 914 of the commission's proceedings. Mr. E. W. Beatty, as he then was, said:

I also dismiss the possibility of a change involving the transfer of the Government lines, subject to their existing obligations, to a private company. No private corporation could assume the enormous obligations which the Government railways are under. If it did, the project could never be made to yield a profit and the company would find itself unable to finance the undertaking.

That statement in itself explains and justifies the financial results of Canadian National operations. Our investigation has placed the Canadian National Railway in its proper perspective.

Hon. Mr. DANDURAND.

As the Duff Commission pointed out, Government ownership of railways on a large scale, as a national policy, was not contemplated or planned by any Government and was never submitted for adoption to the people of Canada. Nevertheless, the country was committed to the present railway policy through fortuitous circumstances—the failure of private railway promoters to make good their ambitious projects. The Government became gradually involved through loans and guarantees, and when the crisis came the Government, as principal creditor, took over the railways with their obligations intact, and not liquidated as they would have been in ordinary insolvency practice. There is perhaps a reason here to make us chary in assuming further blind commitments which would increase the extent and scope of the nationalization of railways in Canada.

Now I come to the two remedies which are suggested to improve our railway situation and to diminish Canada's financial burden. They are typified by two expressions: co-operation and unification. It has constantly been repeated that co-operation has not, to this day, effected important economies. The two railways were directed by Act of Parliament—the Canadian National-Canadian Pacific Act—"for the purpose of effecting economies and providing for more remunerative operation, to attempt forthwith to agree and continuously to endeavour to agree upon such co-operative measures, plans, and arrangements as are fair and reasonable and best adapted to bring about such purposes."

According to the terms of the Act they could effect agreements for the pooling and division of earnings arising from the joint operation of any part or parts of freight or passenger traffic, or express, telegraph, or other operating activities or services; they could agree on joint trackage, running rights, joint ownership or joint operation, depending upon the nature of the property or services included in any co-operative plan; they could agree on joint or individual highway services, or highway and railway services combined, in any form. These are the very wide directions given the two railways.

I will cite from clause 16 the procedure which they were to follow:

(5) Where the execution or carrying out of such a measure, plan or arrangement involves the doing of any act which by any statute requires the leave, sanction, assent or approval of the Board of Railway Commissioners for Canada, no such measure, plan or arrangement shall be effective without the approval of the said Board.