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CHAPTER V
PROPOSALS AND REMEDIES

195. We have carefully weighed the informing and voluminous evidence which has been placed before us in regard to a subject of major importance to the Canadian people, and, in arriving at our conclusions and making our recommendations, we have endeavoured to eliminate any considerations as to what might be theoretically the best course to pursue under other circumstances and in other countries, and to base our judgment solely on what is best for the people of Canada.

196. We have already made definite recommendations in regard to Road Transport, but the main problem before the commission is to secure relief to Canada from the heavy burden arising out of the railway situation. To attain this relief drastic measures of economy are imperative and schemes having this object in mind have been suggested.

I. PLANS

197. The complete amalgamation of the two systems has been suggested as a method, not only for attaining a maximum of economy, but also for the most effective use of the properties. This raises the question whether it may be done either by public or private ownership. Whatever merits or demerits this proposal may have, the time is not opportune for giving serious consideration to this particular remedy; neither complete public nor complete private ownership is possible.

To establish a monopoly of such magnitude and importance would place in the hands of those responsible for the administration of the system powers that would, if not properly exercised, prejudice the interests of the Dominion as a whole.

198. It has also been suggested that the Canadian National Railways should be leased to the Canadian Pacific Railway, either in perpetuity or for such a period as would afford an opportunity to effect substantial economies.

A lease in perpetuity presents certain difficulties. It would, whatever safeguards may be adopted, result in the establishment of a monopoly.

199. Other reasons which militate against a perpetual lease are twofold: first, should the population of Canada greatly increase, the volume of traffic would grow and the railway mileage be materially enlarged, with the result that the management of so great a system might well become unwieldy and necessitate segregation. The second reason is a natural and justifiable hesitation to commit, finally, future generations, and even the present one, to a policy adopted under the stress of difficult circumstances, which may not be best adapted to a new set of conditions difficult to forecast.

200. It is acknowledged that a short term lease (fifteen years for example) would not provide the opportunity for the full measure of economy afforded by amalgamation, or for the wholesale abandonments of functionally duplicate lines, although it was claimed for this plan that it would ensure:

- (a) A considerable measure of improvement over the present situation and a clearly defined and undivided responsibility;

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- (b) A valuable opportunity to weigh the advantages of unified operation in order that the people might decide, at a future date, and when the pressure of difficult financial conditions has been removed, as to the policy best adapted to the conditions, social and economic, of Canada;
- (c) A desirable relief from the heavy demands made upon the resources of the Government, not only to cover operating deficits of the National System, but also capital expenditures, which demands must either place too heavy a burden upon the taxpayer or limit expenditures for other important and necessary improvements;
- (d) That if as a condition of a short term lease a profit-sharing basis was developed, it would introduce in the unified operation of both systems the element of financial interest which would be conducive to efficient management;
- (e) That removal of railway management from political interference would be achieved effectively without suggesting self-imposed limitations on the exercise of the powers of the Government of Canada.

An objection to this proposal is that under such a plan the systems would tend to merge and that at the termination of the lease it would be extremely difficult to re-establish them as separate entities.

201. These and other plans have not fulfilled the conditions which in our opinion are necessary to any practicable solution of the Canadian railway problem. That solution must have regard to the following:—

- (i) Correct evils which admittedly are apparent in the operations of the past.
- (ii) Provide machinery for co-operation between the two railways with a view to improving their financial position.

202. For the sake of clarity certain main considerations which have been present to our minds are here stated:—

- (i) The identity of the two railway systems should be maintained.
- (ii) The management of the National Railways should be emancipated from political interference and community pressure.
- (iii) Machinery should be provided for co-operation between the two systems for the elimination of duplicate services and facilities and the avoidance of extravagance.
- (iv) The attainment of a scale of economies which will bring the burdens of the National System within reasonable dimensions and effectively check extravagant and costly operation.
- (v) Reasonable protection for the privately-owned undertaking against arbitrary action by the publicly owned undertaking which might unfairly prejudice the interests of the privately-owned undertaking.

In outline the plan we respectfully recommend for adoption is as follows:—

II. TRUSTEES

203. Three trustees should be appointed by the Governor in Council, in whom should be vested all the powers of the present Board of Directors of the Canadian National Railways, both in respect of the parent and all subsidiary corporations of the System; and any and every power and authority necessary to enable them to administer the property and operate the System and every part thereof.

Senators and Members of the House of Commons and persons holding or having within five years held office or place of profit under the Crown in the right of the Dominion or one of the provinces of Canada, should be disqualified for appointment.

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