

temporary borrowings from the Government – the shareholder – and then by sale of Canadian National bonds to the public. This, of course, increased the debt and interest charges and compounded the financial difficulties and, to put it as shortly and simply as possible, CN has never been able to obtain effective relief from the handicaps imposed upon it at its inception and during its early years.

It is worth emphasizing, however, that, except for three occasions since 1923, CN has been able to report an operating surplus, before debt charges, in every year of its existence. This is, I submit, a good record.

On two occasions – in 1937 and 1952 – legislation affecting the capital structure of Canadian National alleviated some of the effects of the handicaps initially built into the financial structure of the company. And, as is generally known, we are currently having discussions with the Federal Government aimed at completing the process of modernizing our capital structure. When this is done, present-day and future operating efficiency will be reflected clearly in the annual profit and loss account.

MAJOR EFFORTS TO ADAPT

Meantime, of course, Canadian National has not been sitting back and waiting for the legislators to solve all its problems. Over the past 15 years and more, we have been engaged in a major effort to adapt our technology, our organization, and our thinking to the kind of transportation environment which has been developing in North America. The problems posed by that environment are the same for Canadian National as for most other North American railways – changing market conditions, rising costs, and fierce competition from alternative modes of transportation....

The new Canadian National symbol and the visual re-design programme, which is giving a bright, modern appearance to our physical properties, are part of this effort. So also is the "Red, White and Blue" passenger-sales programme, which has received world-wide attention as an imaginative and constructive plan to adapt railway passenger service to the needs and desires of the traveller in the 1960s and beyond.

POSITIVE PASSENGER POLICY

For many years it has seemed to me that most railroads on this continent have tended to take a defeatist attitude about the possibility of providing comprehensive passenger service on a self-supporting basis. This has led to neglect of the application of modern market research and sales promotion techniques in this field – also, to a lack of interest in developing the kind of equipment and services required to satisfy today's traveller. CN, however, has been taking a positive rather than a negative attitude towards its passenger services. We have given this part of our business careful analysis and we believe it can be made self-supporting by means of a strong imaginative sales effort and the kind of service that belongs to present-day living. Perhaps because this is in contrast to the general attitude, our activities in this area have received a marked degree of publicity....

IMPROVEMENTS IN FREIGHT HANDLING

Canadian National has...made major advances in the field of freight transportation in recent years. To give you a complete listing of post-war technological improvements would exhaust my time and your patience. I could perhaps summarize by saying that we were the first major Canadian railway to completely "dieselize" our motive power, that we have recently completed a chain of four automatic hump yards that are second to none on this continent from a technical standpoint, and that all the other significant advances in railway technology – centralized traffic control, specially designed rolling stock, automatic data processing, and so on – are part of our modern operations.

Advanced technology has been balanced with a streamlined management organization. In 1961, we began a management reorganization plan which reduced the number of levels of administration and decentralized the system on a geographical basis. This aim was to give CN a managerial framework capable of quick response to the changing demands of the transportation market and to give expression to the "marketing concept" which today dominates our thinking....

In applying the marketing concept, CN has developed a "customer research" department which plays an increasingly important role. This group of transportation experts adapts equipment to meet the requirements of shippers, designs new equipment, and advises customers on packaging, loading and rates. In other words, they provide the customer with a complete service designed to help him get his product safely, quickly and economically to its destination.

FROM RAILWAY TO TRANSPORT COMPANY

As a result of looking closely at customer's needs in this way, CN has, in common with most other North American railways, changed the image of itself – from railway to transportation company. While rail service remains basic to our operations, we are willing and able to combine rail with alternative modes of transportation when this best suits the customer's requirements. We own a number of trucking companies, we are deeply involved in "piggyback" service, we have made significant progress in containerization and our research work keeps us abreast of any new or developing techniques affecting the movement of goods, materials and people.

Studying customers' needs and tailoring services to meet them are two key features of the marketing approach. A third key feature is the setting of realistic rates. Modern rate-setting cannot be permitted simply to reflect custom or guesswork. Rates must be based firmly on operating costs, service standards, the physical characteristics of the shipment and other economic factors. There has been no greater advance in the business of railroading in recent years than the breakthrough in specific rail costing made possible by the use of data processing equipment. In this field the Canadian National is abreast of, if not ahead of, the industry at large. Because of these developments, we can offer such things as attractive incentive loading rates and agreed charges and thus bid knowledgeably for a very wide variety of business....