

Committee on Railways and Shipping

was less in percentage than it was in the United States. We can also take some comfort if we look back to 1931, which of course was a year of low economic activity. Here we find that the deficit of the Canadian National was nearly \$61 million as against \$28 million this year. One can take a little comfort from that, but not very much, because after all in 1931 times were very bad and no one needed to be a crystal gazer to know that the Canadian National did very badly.

But the thing that perplexes one at this time is that in a year of high economic activity the railway did so badly, and that perplexity is added to somewhat when we recall that it is only three years ago that we revamped the capital structure of the railway. At that time we hoped and the management hoped, although no one could guarantee it, that that was going to make it possible for them to have an operating surplus, or even more than an operating surplus, to earn their interest. That was the hope. *

It is more than disappointing, it is serious, to find in a year of high economic activity this tremendous industry, which involves some \$5,000 million or more—\$3,000 million in the Canadian National system and \$2,000 million in the Canadian Pacific—that it is sick. I take the word "sick" from a statement made by Mr. Fairweather, vice president of research and development, Canadian National Railways, to be found on page 14 of the Turgeon royal commission on agreed charges. Mr. Fairweather was being questioned as follows:

Q. At this particular time, Mr. Fairweather, could you make some observation as to the condition of the railway industry, as to its health or otherwise?

A. I think that anyone who gives any consideration to the railway industry in Canada could come to no other conclusion but that it is a sick industry. It is not a healthy industry. I think, too, that no one could give consideration to this problem without realizing that a sick railway industry is not good for the people of Canada. I think, too, that if you go further into the subject you will find that the sickness of the railway is not due to any fundamental defect of the railway as a functioning organization. It is a strange thing that, notwithstanding all this, railway net revenues keep sliding away, sliding away despite all the technological improvements that are put into effect. The problem of producing enough net revenue to meet the overhead costs of the railway is becoming increasingly more difficult. The fact that in a year where we have suffered only a slight decline in industrial output, the Canadian National Railways is forced, as it will likely be forced this year, to admit an income deficit running better than \$20 million,—

Actually \$28 million.

—makes one pause and consider, especially when one considers that it is only recently the capital structure of the Canadian National was adjusted to a basis upon which it was supposed to earn its keep one year with another . . .

[Mr. Macdonnell.]

I should like to quote further from this report, still dealing with Mr. Fairweather's testimony:

They ask to be relieved from certain handicaps in order to be able to engage freely in the pursuit of business in a large and growing competitive field. In so far as this can be done without injustice to others, I think appropriate action should be taken.

I remind hon. members that I am reading from the report of the Turgeon royal commission on agreed charges. This is not the time nor place to enter into a detailed discussion of railroad problems, but I think it is the time and place for us to remind ourselves of the truth of what Mr. Fairweather said, that a sick industry is not good for the people of Canada. The responsibility for creating conditions under which this vast industry, in which we are so deeply concerned as a nation, can work, is ours.

I do not think that I need take the time of the house to go much further into the matter except to mention one point which I have mentioned before and which I bring up again because I believe it is of some importance. The directorate of the railway is small, being made up of six gentlemen. I am perfectly sure that each one of those gentlemen is of high standing. I happen to know only one or two, but I know that they are. Nevertheless I suggest that it looks almost like a little family party on the directorate and that is not a sound thing.

I suggest that as in the case of the Canadian Pacific the directorate should be composed of a much larger number of men who are outstanding in the business community. I suggest this for two reasons. First of all I think the people of Canada, highly as they regard the president and officials of the railroad—those of us who met them in committee I am sure will agree—are entitled to have on this directorate the ablest men that can be found so that the outstanding ability of those men may be available to help in meeting the problems of the railroad which sometimes seem almost to pass the wit of man. As I look at the problems which confront the officials of the railway they have my intense sympathy. I feel that we should leave no stone unturned to give them every possible help we can.

There is another and perhaps more pedestrian reason, although it is still a practical reason which companies do not ignore when they are appointing directors. If you have on your directorate the heads of large businesses, not only do you get their experience and ability but you also get their capacity to attract business. The Canadian National Railways should not snap its fingers at that.