

Mr. GRAYSTON: We embarked on that program a few years ago and it had relation as Mr. Gordon says to dieselization of the railway. Of course it also had relation to the general need for rehabilitation of that portion of the railway along with the rehabilitation of the other portions of the railway which already were underway or had been completed. I think it is quite safe to say that if rehabilitation had not taken place in the west we in due course would have had to spend a great deal more money on it than we did, and would have found ourselves completely unable to compete in the way that we are starting to do with faster, long distance freight trains, and things of that kind.

Mr. GORDON: Let me put it to you in the form of a simple little story. When I made my first inspection trip out west I remember very well standing at the end of the train with the superintendent of the day. It was raining. I knew very little about railroading then. I underline "then". As I stood looking there I could not understand why, in looking at the track as we went over it, the mud came squishing out underneath the ties. We were doing about 20 to 25 miles an hour. It seemed to me a little odd and I said to this fellow: "How do you explain that?" He replied: "Well, Mr. Gordon, we have not got a railroad. We have not spent any money on it. If we take a chance here we will probably derail".

About two or three years ago I went over the same track. By then this fellow had reached about retirement age and he said: "By God, Mr. Gordon, we have got a railroad!" We were doing 60 to 70 miles an hour and we had a good track.

Mr. FISHER: Let me ask you one other question in relation to the financial statement. You would agree the C.P.R., in so far as wage costs are concerned, has been operating under the same terms as the C.N.R.

Mr. GORDON: If you are talking about wage rates, I would agree. I would not agree in regard to the number of employees.

Mr. FISHER: But in this instance the C.P.R. has no particular advantage so far as wage rates are concerned. There is a direct parallel?

Mr. GORDON: Pretty well, but they have a different form of wage costs.

The CHAIRMAN: In his report he showed there were more men employed for the same work in the C.N.R. because of certain commitments.

Mr. FISHER: I know the details of the break-up of the C.N.R. revenue dollar. I have one last question in relation to the statement dealing with reorganization on an area-management basis. If this is going to be the answer to the situation I imagine it is going to be an expensive change. I know the reorganization which was carried out at the Lakehead and how a lot of chiefs went into the headquarters there. Why delay this reorganization to this late date if it is the answer to your problem?

Mr. GORDON: I think that is very easily explained. However, I am not going to let you get away with your implication of too many chiefs. I can deal with that later. Rome was not built in a day and we have done a lot of this in the C.N.R. during the last ten years. A reorganization of the size and magnitude we have accomplished was a fearsome thing to contemplate and we did not go into it on anything but a very gradual basis.

It took four years of examination and study before we became convinced as to the kind of organization that would fit. Then, in the matter of implementing it, again it is a very gradual process. I do not suggest there is any magic at all this year rather than last year or the year before. It is just a matter of when we were finally able to get it done.

Mr. FISHER: It certainly seems to me you have presented this change and alteration in your whole management structure as being one of the answers to the situation. Surely it is fair to ask why this answer was not obvious earlier, and why reorganization was not introduced sooner?