

I should like to preface my remarks with some excerpts from an address delivered in January last by Mr. Joseph B. Eastman, member of the Interstate Commerce Commission and for three years Federal Co-ordinator of Transportation. My honourable colleagues will gain from Mr. Eastman an idea of the importance of the problem which is before us at the present time. He said:

One thing which perhaps may be new to some of you, although I doubt it, is that railroad ills are not peculiar to this country. On the contrary, the rest of the world is very largely suffering from the same complaint. . . .

The British railroad situation is to me one of the most interesting of all. It has been urged that the way to save the railroads is to consolidate them into a very few great systems. Well, they did that in Great Britain not long after the World War, reducing the number to four. Not only that, but these four systems pooled most of the competitive traffic which remained. . . .

Yet with all these presumptive advantages, some of which are very real, the British railways are now filling the air with loud cries for relief. . . .

The trouble with our railroads, while very difficult to remedy, is not hard to understand, and can be summed up in a sentence or two. The depression in business caused a heavy fall in traffic, bad enough in itself, but made much worse by the superimposed loss of traffic caused by the great increase in competition from other forms of transportation. . . .

The tremendous increase in competition from highway, water, pipe-line, and air carriers is too well known to require description. You may not have realized, however, the extent to which, along with this competition, private carriage has superseded public carriage, by which I mean transportation by common carriers. . . .

To a lesser but yet a very considerable extent, the same is true of the carriage of property. Many industries, large and small, are served by their own motor vehicles or by contract carriers who do not serve the general public, and this is true in high degree of the farmer. . . .

A further source of great loss to the railroads has been the severe decline in the tonnage of our exports and imports.

So far as public regulation is concerned, the Interstate Commerce Commission now has power to fix both maximum and minimum rates for both railways and motor carriers.

Whether water carriers should be required to pay tolls for the use of waterways, like your Barge Canal, which were constructed and are maintained at public expense, whether motor vehicle operators should be subjected to heavier taxation in compensation for their use of the public highways, and whether railroad taxation should be lessened materially, are questions which should be explored thoroughly and impartially.

There was a time, in the opinion of many, when the railroad managements were not distinguished by enterprise in the improvement of their equipment operations and services.

In the past few years, faced by an overwhelming tide of outside competition, there has been a marked improvement in initiative and enterprise. The results you have all seen in the stream-lined equipment, air-conditioning and other improvements in passenger service. Even more significant is the fact that the average speed of freight trains, exclusive of switching,

rose from 12 miles per hour in 1920 to 21.7 miles per hour in 1937. The opportunities for further enterprise and improvement, however, are by no means exhausted.

I am suggesting that there is no quick and royal road to railroad recovery and that no miracles are to be expected. We have spent in a comparatively short time on highway, water, pipe-line and air transportation probably more than the total cost of our railroads.

As the Interstate Commerce Commission said in its recent annual report: It is quite idle to believe that a situation which has been created in this way can be "solved" out of hand, like a problem in geometry or a cross-word puzzle. The Government has no magic which enables it to sweep back the tide of economic change and reverse the results.

Up to 1922, when the Canadian National was whipping into shape the various systems which it inherited, our railways had been in active competition with one another—the Grand Trunk and the Canadian Pacific in the East, the Intercolonial and the Canadian Pacific in the Maritimes, and the Canadian Northern and Canadian Pacific in the West.

In 1925 the Canadian National had made considerable strides in its organization, and its rival, the Canadian Pacific Railway, was becoming somewhat concerned. Highway competition had already made its appearance. However, the returns for that year and the following one were encouraging, and the President of the Canadian Pacific Railway stated publicly that he was in favour of competition.

Up to 1929 the two railways showed progressive improvement, but the crisis of 1929-30 was most depressing, and the presidents of the two railways joined in a request to the Government for a royal commission to examine into their troubles. We all know that the Canadian Pacific Railway made a strenuous effort before the Duff Commission to form a partnership with the Canadian National. It was the same presentation that was offered to our Special Railway Committee, and the conclusions were the same.

The essential difference between the two railway systems is to be found in their respective creations, which explain the different viewpoints of the two railways. The Canadian Pacific Railway is an exclusively business venture, built as an integral unit and operated as a unified organization with a single eye to a fair return of profits to its shareholders, whereas the Canadian National was formed out of five railway systems, some of them built as a federal obligation towards certain provinces at Confederation, and others built as colonization roads for the development of the country.

The Canadian Pacific Railway in its propaganda for unification has constantly kept before the public the huge capital debt and the yearly deficits of the Canadian National