valued at approximately $1,100,000 which were supplied by the Dominion Government as unemployment relief. The Canadian Pacific, according to their annual reports, in the years 1931 and 1932 charged certain unemployment relief works to the amount of $6,327,616 to suspense and later to profit and loss. Also in 1931 the Canadian Pacific Directors' report indicates that the operating expenses did not include the normal proportion of equipment retirements; the Canadian National retirements actually increased each year since 1930. A changed policy of accounting on both systems with regard to treated ties also affects the operating ratio; since 1932 the cost of tie treatment has been charged to capital; prior to that date it was charged to operation.

Traffic considerations which affect the operating ratio relate to—

(1) the average revenue per ton mile.
(2) the type of commodity as affecting the average carload.
(3) the average haul.

There are important differences between the two systems in all these items, except the average revenue per ton mile. Other things being equal, these differences explain from 1 to 2 points of the spread in operating ratios.

Traffic density per mile of road had a profound influence on the operating ratio, other things being equal. The expenses of operating a railway are divisible into two groups—one group of expenses is in the nature of overhead consisting of the portion of the expense which is necessary to keep the railway in condition and equipped to carry traffic. The other group of expenses consists of the actual expense involved in handling the traffic. Since only a portion of the expenses are increased with increasing traffic, the unit cost of earning a dollar of gross revenue (that is the operating ratio) decreases with increasing traffic. The Canadian Pacific traffic averages 15 per cent more per road mile than the Canadian National and this fact would normally explain from 3 to 6 points of the spread in the operating ratios.

The explanation of the balance of the spread between the operating ratios in the last few years may be found in the relative cuts in maintenance expenditures as shown in the answer to question 4. In this connection it might be pointed out that the track mileage of the C.N. is 32,124 and of the C.P.R. 23,380. The excess of C.N. track mileage over the C.P. is 37·4 per cent, whereas the excess of C.N. gross revenue over C.P. gross revenue is 30·3 per cent.

Hon. Mr. MANION: Were there any other points you wanted to take up before we close our proceedings?

Sir EUGENE FISET: Carry on with the report.

Mr. HANBURY: I would rather not approve of the report; leave it as it is, unconsidered.

Hon. Mr. MANION: I rather think we should do something; the report is the report of the management.

Sir EUGENE FISET: As a matter of fact, in the past we always approved of the report. That is the object of the meeting of the committee. We might as well accept the report as it stands.

Mr. HANBURY: I will accept that motion. Before you adjourn, as one who has opposed the Canadian National-Canadian Pacific Bill and who is still not very pleased with it, it does give me great pleasure to be able to say a word in support of the chairman of the trustees and of the trustees he has associated with himself on the board. I do feel that the government have succeeded in bringing to the operation of this railway probably the best brains and the highest type of Canadian citizenship we have, and I wish to be on record as being willing to do all I can to help them in every way I can to make the National Railways the success we all hope it will eventually be.

Mr. GOBEIL: I desire to second that motion, Mr. Chairman.