

Freight Rates

a private concern. The accounts of the road show it received a total of \$298 million. The Acworth commission, which dealt with the financial position of the Canadian Northern, stated that the maximum value of its property was only \$370 million. In addition to investment bonds there was an outstanding funded debt of \$83,000,000, while the outstanding liabilities were in excess of the total value of the property. The other privately owned roads which became part of the national system were in no better position financially.

In that connection I should like to quote from an article written by Sir Joseph Flavelle in 1932, when he dealt with this matter before the royal commission on transportation. These are the recommendations he made as reported at page 1599 of the commission's report:

(a) That the cost of building the Intercolonial and Transcontinental railways should be written off at once.

(b) That the advances made to the railways before taken over and the deficits which would be inevitable for some years, should be met by the issue to the government of common stock on which no interest would be charged or dividends paid until the company was in a position to earn profits after payment of interest on fixed charges assumed and on the subsequent capital expenditures that would be necessary.

Then again we find that Sir Henry Thornton, one time president of the Canadian National Railways, gave evidence before the royal commission on transportation, and is reported in this way at page 50 of the report of that commission:

To what is the condition of the C.N.R. system due. It seems to me it is due first to the inherited mistakes, if one may call them such, of previous proprietors; secondly, to capital expenditures necessitated to meet public demands to continue the development of the country to make up for deferred capital expenditures in years gone by and to create an efficient transportation machine; thirdly, the competition from subsidized water transport and the highways, and fourthly the freight rate situation. All of these are of course augmented by the present state of depression through which we are passing and the problem is largely one as to how long the depression is going to last.

And listen to this:

I think I would be safe in saying as I intimated some little time ago, that the depression may be the reason which has provoked this investigation, but the investigation might just as well have been made years and years ago. The depression is a thing which simply aggravated an already existing condition. I may mention that because so many people confuse the depression with conditions which really have fundamentally existed for a long time.

Those were the words of a former president of the Canadian National Railways. The commission's report of 1932 outlined the procedure

[Mr. Moore.]

which should be taken more or less to correct the difficult railway situation in Canada at that time. I say the time is now ripe for the government to take action to deal with our complex railway problem.

Again we find that at page 30 of the report the commission recommended that the capitalization of the Canadian National railway system be drastically written down; and then they went on to say that they did not believe that in 1932 the time was opportune to write down its capitalization. I believe if those same people were approached today they would concede that the time is now ripe to deal with the capitalization of the Canadian National Railways.

Most of the bonds were held in Great Britain and other European countries in 1932. But today, because of war purchases, large amounts of those bonds have been repatriated. In fact, in the railway committee of two years ago we were told that only a very small portion of the bonds of the Canadian National Railways were held abroad. Because of the changed situation which has been brought about on account of the war, I think the time has now arrived when the government should take action and cut down the capitalization of the Canadian National Railways to a figure where it will be able to compete and provide transportation at cost.

I should like to say something about the 21 per cent increase in freight rates. I submit that the government should not have agreed to this increase going into effect. The better way to have dealt with the situation would have been to bear the losses of the railroads out of the consolidated revenue fund and hope that within one, two, three or four years the situation would so improve that it would not be necessary to increase rates.

The same problem came up some years ago. In 1918 the Canadian railroads applied to the government for increases in freight rates which were granted. About the same time the railroad employees asked for increases in wages. The increases in wages amounted to \$77,000,000, while the increased freight rates received by the railroads amounted to \$43,000,000. The railroads applied again for an increase in their freight rates and, after some deliberation, it was granted. Later on, in 1920, a further increase in freight rates was asked, and in this connection I should like to quote from the debate which took place in the House of Commons at that time because I think it indicates the position the government should have taken at this time. The position taken at that time by the government was