

(5) *Environment.*—As a publicly-owned enterprise, the Canadian National is subject to pressures from the public to a much greater extent than the Canadian Pacific and this form of pressure does distinguish the Canadian National from the ordinary private corporation. It arises because every Canadian citizen feels instinctively, and of course rightly so, that he has a proprietary interest in its operations. The scope of the railway operations is nationwide and is of such diversity and of such intimacy that it touches the lives of Canadians in every province of Canada. When, for example, the requirements of changing technology or the need to meet new and developing types of competition make action necessary to keep our operations modern and efficient, a stream of comment is directed towards the C.N.R. by members of parliament and newspaper editorials, by labour or other special interests, by community representation and so on; to approve and to object; to co-operate and to resist. Needless to say, this adds to the problems of management and I am convinced that both our cost of operations and capacity for accomplishment are influenced by such considerations.

It is our established managerial policy that Canadian National be in every way a considerate employer. We have endeavoured to avoid the radical changes in maintenance forces to meet short-term traffic volume fluctuations which could have a serious dislocating effect on community life. When substantial lay-offs are indicated at any point and the effect may seriously upset a community which has relied on the railway for employment over a number of years, C.N.R. takes special cognizance of the situation and plans staff reduction over a period of time. With the assistance of the railway's personal staff, this permits laid off employees to seek other employment or relocate elsewhere with the railway and dislocation of community life is minimized. The progressive staff reduction that preceded the closing of the Stratford motive power main shop is an example of this policy. In the main passenger and freight car repair shops, major staff reductions have resulted largely from improvements in machinery, methods or from changes in operating requirements. Apart from this we have planned major car repairs with the objective of maintaining the condition of our car inventory in keeping with the long-term requirements. Even in the implementation of staff reductions resulting from technological changes or change in repair requirements lay-offs are made over extended periods. It is difficult to say just what a policy of gradual reduction in maintenance forces has cost the C.N.R., but there is no doubt that expenses have been higher than if all employees were laid off or relocated within a short period of time.

The foregoing covers some of the differences between the Canadian National and Canadian Pacific. I should like to conclude by saying that I am convinced of the wisdom of the concept of the Canadian National as a commercial undertaking. However, I recognize that the C.N.R. cannot escape the obligations of the past, some of which are a blend of the developmental and confederative functions. To say that C.N.R. cannot be judged by the usual standards of profitability and financial return to shareholders does not by any means imply that the profit motive is irrelevant to the conduct of its business. This means, in ordinary circumstances, that the justification for any particular service must be tested by whether the public is willing to pay for at least the direct costs involved in producing it: that