Higher Railway Rates Necessary, Says E. W. Beatty

Wage Increases on Canadian Roads More Than Interest on Whole War Debt

ADDRESS AT WINNIPEG

Railway Situation in Canada Without Parallel Any Place in the World, He Says.

Winnipeg.— Addressing the Canadian Club at a luncheon at the Royal Alexandra on the subject, "The New Railway Situation," E. W. Beatty, K.C., president of the Canadian Pacific Railway Company, gave a plain intimation of a coming increase in rates.

Mr. Beatty said:—"Since I had the pleasure of visiting Western Canada in May last, a very important change in the transportation situation has taken place through the sudden consummation of a plan for the acquisition of the Grand Trunk and Grand Trunk Pacific Railway Companies with a view to their incorporation into the system of the National Railways. In due course, when the legal and other formalities have been fulfilled, this consolidation will take place and the test of the possibility of successful administration of a vast system of railway under the aegis of the Government will be made. It is probably the most ambitious and comprehensive task which any Government or any people has taken upon themselves, except temporarily and in emergent necessity. It may be a test over a period of years and the results may be expensive, but under honest management with independent and non-political administration, and above all with accurate information supplied to the public as to the result of these operations, the people of this country will be able to determine for themselves whether that system is the best and if not what improvement should be made in it. I make no comment on the wisdom or otherwise of this further extension of Government ownership of railways in Canada. The matter has been settled by the representatives of the people. I am sorry, however, that a little more time and information were not given both to the peone themselves and their parliamentary representatives, because I would have been better satisfied that the decision then represented the view and desire of the vast majority of the people of this country, especially of the business communities, who have a particular stake in the railway situation and a particular knowledge of what constitutes efficient railway service. The decision has been taken, however, and the consolidated system will be administered by a board selected by the Government, with experienced railway operators and executives in immediate charge of the property, with Parliament, as is inevitable, in full control of the financial support to be given, and the Government of the day with full responsibility for the expenditures of the monies voted for such purposes. The result of this means that the railway situation in Canada is now completely changed, and the country must depend for some time at least for additional railway facilities, where needed upon the National Railways or the Canadian Pacific, because with preponderating mileage under the control of the Government, it is not likely that much capital would be attracted to new railway enterprise for the rewards which such investments might bring. Therefore, I think it may be fairly stated that such additional construction as takes place within the next few years will depend upon the willingness of the National Railways and the Canadian Pacific to appreciate these needs and their financial ability to meet them.

MEANS KEEN COMPETITION.

"This is a situation which is without parallel any place in the world where a government-owned and operated railway and a privately-owned and operated railway not greatly different in the matter of mileage, both with, of course, adequate credit, have in their hands the almost exclusive right to remedy transportation insufficient at most places throughout Canada. It is true, I think, that this will provoke a highly competitive condition. How effective this competition will be will depend upon its honesty and its fairness. If political methods are to be introduced into the competition, and facilities provided in accordance with political expediency or if political rewards follow the extent of the support or otherwise which is granted by shippers to the National Railways, then I should say the competition would be unfair and of doubtful commercial or national value.

"During the course of the year, the railway companies of Canada had to meet a great many problems, due to the emergencies which prevailed which were unusual and of great importance and which required new methods to secure their being dealt with competently. For that purpose the Canadian Railway War Board was constituted and through it the efforts of all railways were co-ordinated to meet the extraordinary demands through the movement of war traffic and soldiers. The work was well and efficiently done; was so well done, in fact, that not one hour's demurrage was caused to Atlantic shipping by delays on Canadian railways. I have recently received a letter from Sir Joseph Maclay, British Minister of Shipping, in which he points to this fact as a conspicuous example of the effective way in which the work of the Canadian railways was performed.

"Since the war, there has been constituted the Railway Association of Canada, whose executive comprises the presidents of the principal railways in Canada, and in the organization of which is contained various committees from the operating, financial and traffic officers of the companies, who are constituted to act jointly, when joint action would be in furtherance of the traffic necessities of the people or of the railways. Mr. Hanna and myself sit on the executive Committee, and I am very hopeful that with the experience he there gains, he will be confirmed in his original decision to be a railway man and not a politician.

"I have known Mr. Hanna for a great many years, and my appreciation of his personal qualities and official ability as disclosed in the numerous exacting and difficult positions he has been called upon to fill is very great. The fact that he was trained in his earlier years in the service of the Canadian Pacific and has always, both personally and officially, retained a very sincere affection for his former company has not detracted from my appreciation of him.

"Mr. Hanna and I have a great many problems in common and others which are individual because peculiar to the different systems of railway operation, in which we are respectively involved. Occasionally it may be necessary in public utterance for us to refer to each other, or the interests which we represent, but I recognize that these references will be few and far between, because I can imagine nothing of much less public interest or public importance than my opinion of the National Railways and Mr. Hanna, unless it is Mr. Hanna's opinion of the Canadian Pacific and myself. Mr. Hanna rather departed from the rule a few weeks ago in Toronto, and with his characteristic Scotch pawky humor, whatever that means, said that the trouble with me was that I did not believe in public ownership, but that I would hope for its success, and that notwithstanding the fact that the Canadian Pacific had occupied a very unique and strong position within the Empire, in a few months' time it would be number two instead of number one, and that was where the shoe was pinching. As I say, Mr. Hanna intended this to be a humorous remark, but Scotch humor is sometimes hard to understand, and his audience, a most intelligent Toronto audience, misunderstood him and applauded his prophecy of the advent of another railway system, bigger and better than the Canadian Pacific.

"I imagine that Mr. Hanna and myself could sit down today and discuss with the utmost candor the general railway situation. Incidentally to that we could, I think, agree without much discussion as to which was number one and which was number two. I say this without any hesitation or reservation, because I know what a wise and experienced man Mr. Hanna is. I can say with equal confidence, I think, that five years from now Mr. Hanna and I could discuss the question with equal frankness and agree between ourselves as to which was then number one and which was number two. Of course, it would be the same railway, but as I have said, Mr. Hanna is a very wise man. Five years hence he may even be wiser than he is now, but that would not be necessary to enable him to reach a correct conclusion.

A CHEERFUL PROPHET.

"Mr. Hanna has recently adopted the role of prophet for the National Railways. He is a cheerful prophet, and he paints a glowing picture of the future of the properties under his charge. This is as it should be, and he is wise in making it as attractive as possible. He has recently taken his pencil in hand and added together the joint mileages of the Canadian Northern, Intercolonial, Transcontinental, Grand Trunk and Grand Trunk Pacific railways in Canada and the United States: he has likewise added the number of engines and cars of all descriptions, tons of freight carried on all systems and has concluded the National Railways are, or will be, the greatest railway system in the world. I do not dispute his figures as to mileage, and I do not imagine it is of much public importance whether the gross earnings of the combined systems are greater or less than the Canadian Pacific. Up to the present, they are less, although the mileage is greater, but I do say that the test of the best or worst railway is not necessarily determined by mileage, and "best" and "biggest" are not necessarily synonymous terms. Companies must stand or fall on the character of the service they render, and if one railway's service is consistently better than another's, if its officers are more efficient, its service more expeditious and its business transactions with the public more satisfactory, it is the railway which will be rightly regarded as the best, whether its mileage be somewhat more or somewhat less than its rival's.

"The National Railways and ourselves are confronted with conditions of operating which are almost without precedent, and which, with the largest measure of support we can both receive, still render these operations extraordinarily difficult. We both appreciate that the people is a jealous and exacting mistress, but we also know that the public is a generous and persistent friend, once its confidence is secured. We know, too, that no sentiment will control the success of our efforts.

"Heretofore in Canada there has been, I think, a prevailing decency in competition, which has been encouraging. I have no reason to expect that that will change, or that the methods and measures taken by the National Railways to further its interests and extend its business will be any less reputable than those taken by the Canadian Pacific or by the Canadian Northern, the Grand Trunk, or any other system, which is now consolidated or to be consolidated into the National Railways, but there is always the danger of political methods being adapted to the business of railroading and political influence being used where business methods fail to accomplish the desired result. I was very glad to read Mr. Hanna's strong plea for independent administration, which means business administration, because I would dislike to see post offices, docks, and public works and institutions of all sorts made dependent upon whether the community desiring them gave support to the National Railways. If that happened we might have to establish libraries, hospitals, theatres and parks in order to meet that new and peculiar political-railway competition.

"The foundation of competition should be the same. The legislative control of Parliament, the regulatory control of the Dominion Railway Commission should be the same in respect of all railways operating under the federal jurisdiction. This is not the case as yet, the Government having reserved by statute special rights to the National Railways not enjoyed by private companies and withheld it in certain particulars from the jurisdiction of the Board of Railway Commissioners, but I am hopeful that in time this will be remedied. The accounting methods and financial returns of all companies should likewise be absolutely identical. Given these essential premises and the National Railways the independent administration which their officers desire and you will see railways competing in this country under conditions which will stimulate their efforts and redound to the advantage of all those who do business with them. Whether these conditions will prevail, I cannot say, because the almost irresistible inclination of those who supply the money is to demand a voice in its expenditure and in the management of the institutions for the financing of which they are responsible.

MORE REVENUE NEEDED.

"I do not pretend to speak for the National Railways, but no doubt, as in the case of the C.P.R., large sums of money are required to complete work that has been heretofore impossible to undertake and to extend facilities to meet the rapidly increasing needs of the country. Neither of us can stand still; we must progress if we are to receive our fair share of the country's prosperity. In order to do this we must have money, and money can be obtained only in two ways, by stock or bond issues, or by revenue. Operating increases cannot be taken care of by the former. The extraordinary recent costs of maintenance and operation can be met only in one way and that is by increased revenue to the companies, and in this we need the sympathetic support of the people who demand a high standard of railway operation and railway service which can be secured only, in view of the prevailing high prices, by paying a transportation charge at least equal to the increased cost of operating. You are all aware that in 1918 railway wages were increased in Canada by an amount aggregating $77,000,000, an amount greater than the interest on the whole of the war debt of Canada; the rates were at the same time increased and they brought in $43,000,000 additional revenue to the companies; in other words, the increase in rates failed to equal the increase in wages by the enormous sum of $34,000,000. There can be only one end to that condition, unless the revenues are readjusted to meet these increasing costs. While rates will have to be again increased, they cannot be increased indefinitely and our great struggle from now on will be to reduce costs in order that in time rates themselves may be lowered. There are only two ways of reducing railway rates, and one is by large increase in the volume of traffic and the other is by decreased cost in the carrying of traffic. No ordinary increase in business will be sufficient to take care of the extraordinary increases in the cost of labor and material which the railway companies have experienced in recent years.

"I know that you, gentlemen, are very well informed on the subject of railroads. I know that many of you are, or have been, persistent users of the railroads, that you have competent critics and that you have come in contact with their operations in a more intimate way than most citizens of this country. You will I think be the first to appreciate the accuracy of my statement when I say that at no time in the history of this country has there been more need for an appreciation of the problems of the railways and more need for support to the railways than now.

A CITIZEN OF COUNTRY.

"There is little if any, merit in that old-time aloofness with which railway companies dealt with the public. The Canadian Pacific is a citizen of Canada, not the first citizen of Canada, but one of the most corpulent. Its problems are the problem of Canada; it has a grave interest in the economic and industrial future of Canada. I can imagine nothing which concerns Canada's progress that does not concern directly, or indirectly, the Canadian Pacific. It is, therefore, proper in its own interests and that of its shareholders, that its officers should take an interest in its commercial and trade problems, and further the solution of them to the best of their ability.

"It is equally proper that Canadians should concern themselves somewhat with the problems and administration of the Canadian Pacific, and there is no occasion, so far as the Canadian Pacific, or any other railway, is concerned for the people to regard them as soulless corporations, when their stake in the country is so great, and their interests and your interests so much in common.

"There is always in the minds of some people a mystery in the existence and operation of any large corporation, whether Government owned or privately owned. It is supposed to conceal within the walls of its offices machinery for many things not directly connected with its enterprise. Nothing could be further from the facts. Being public utilities, they are open to more criticism than other institutions. Their affairs are more public, and their officers better and more widely known. They are easier to understand though they are huge in size, and their ramifications are great. Since 1904 the railways of Canada have been required to justify every rate, act and practice which affected the public or the public interest. Can this be said of any other enterprises?

SANE OPTIMISM NEEDED.

"The problem of increased costs practically brings the railway companies in common position with other citizens of Canada. The cure for it is greater production and trade expansion, hard work and thrift. It sometimes seems to me that we lose sight of the very fundamentals on which the prosperity of this country has been heretofore based. The foundation of our economic stability rests upon perseverance, work and the rewards which come from it. We have no more right to expect to receive high wages and high compensation unless we can give an adequate return in service, than we have a right to expect to appropriate and keep what does not belong to us. The necessity is preached from one end of the country to the other, and it cannot be preached too often, because unless it is practiced this country will not enjoy its share of the world's prosperity and will not be able to meet the very disquieting conditions which have resulted from the economical upheaval of the last five years. Heads of financial interests see it, and advise economy of all kinds. Individuals appreciate it and to some extent are practising it. Governments, federal, provincial and municipal must also see it, and practice it, or else hard times will succeed our present era of prosperity. It has always seemed to me that hard times do succeed any era of great spending or extravagance, and it is a serious commentary on the common sense and sanity of people that it is necessary for the realization of these consequences to be obtained by experience instead of by a careful appreciation of the trend of events and by modification and prudence anticipate and prevent the natural consequences of extravagance and imprudence. I am an optimist; I do not see how anyone could be anything else so far as Canada is concerned, with its natural wealth and the virility of its people, but with great optimism can go equally great discretion, and the fact that a man or a nation, is full of hope and confidence does not mean that he should disregard the warnings of the times, or with his eyes on his own future fail to observe the economical pitfalls immediately in front of them."

In this progress towards full prosperity, Mr. Beatty said he saw the western provinces playing a great part.

"In conclusion I would seriously urge upon you all the paramount necessity of quiet sane consideration of Canada's economic problems as they develop. It is, I think now conceded that most of the errors made in past years have been due to a too ready acquiescence in ill-considered policies and a serious indifference by the people as a whole to the correctness or otherwise of the conclusions reached I am, I think, quite within the mark in saying that our principal railway and economic mistakes have been due to the lack of keen appreciation in those whose concurrence permitted the adoption of these policies. There is no time in the history of this country when the views of extremists should prevail as little as now. The difficulties which confront us are not insurmountable if the solution of them are given the moderate and sane consideration which is indispensable to a correct conclusion. Appeals to prejudice and traditional hostilities are fruitless of permanent good. Given the proper recognition of the diversity of economic necessities which inevitably exists in a country the size of Canada, and a serious and single desire to meet and dispose of them in the interests of the country as a whole, and I would have every confidence that our errors would be reduced to a minimum and the economic strength of the country increased beyond the possibility of serious setback."

Canadian Trade With Cuba

In the first ten months of the current fiscal year Cuba, largely through the port of Havana, the capital of that island, forwarded to Canada exports valued at $11,412,321, and of that amount $10,572,438 was represented by 184,297,965 lb. of raw sugar. For the corresponding periods in 1918 and 1919 the quantity of sugar imported was respectively 7,814,589 and 40,264,966 lb. The total value of our trade with Cuba for the ten months ending in January was for each of the last three years $8,812,018, $16,433,513 and $16,302,380 respectively. To facilitate the growing volume of trade with Cuba this Bank has opened a branch at 31 Cuba Street, Havana. That important city now has a population of 400,000 and is the largest centre in the West Indies. In addition the Bank will shortly open a branch in Kingston, Jamaica, and in the near future will probably extend its operations to other West Indian and Latin American countries.

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