

position I assume they could not do it on a compensatory basis. The railways have the outlet of agreed charges which do not need to be compensatory, and therefore you could enter into an agreed charge. I do not see how the railways are hampered in regard to restrictions in meeting competition.

State enterprise tends to operate without regard to cost or return on investment, thus escaping the discipline of the market and contributing to uneconomic allocation of resources and to lower productivity than otherwise would be obtained.

It is well down the page.

State enterprise in certain instances, enjoys access to interest-free capital and also escapes its share of the tax burden to which other businesses and individuals are subject. In the long-run . . .

I do not need to go on as he is sounding off about his philosophy of state enterprise. This is to answer a criticism that will be put up in regard to the point you were making about the debt structure under which the C.N.R. operates, that is, that you enjoy access to interest free capital and you also escape your share of the tax burden. How do those of us who are interested in the C.N.R. answer a charge or an analysis such as that from your financial statement?

Mr. GORDON: Well, my first comment is that Mr. Crump appears to be making a general statement in regard to state enterprise. He is not referring in particular to the C.N.R. He is not even referring in particular to the railway business. He is making a statement of his philosophy in respect of what he chooses to call private enterprise versus state enterprise.

Mr. FISHER: I think the C.N.R. certainly is a state enterprise.

Mr. GORDON: I agree, but he says in a statement that state enterprise is much less subject to the discipline of the market than private enterprise. That is a general statement affecting state enterprise, but it does not attach to the C.N.R. because we are subject to the discipline of the market and to the discipline of trying to get a return on our capital. Mr. Crump states there that state enterprise tends to operate without regard to cost or return on investment, and I say in connection with the C.N.R. that is not so.

Mr. GORDON: No, because what I was suggesting this afternoon was that we would remedy the errors of the past in dealing with the public enterprise. I was merely trying to point out that when you were talking about the record in terms of present day management, the present day management should not be held guilty for the burden of the debt or the burden of interest which is charged to our current account. That burden originated in the period between 1923 and 1950, or whatever the date may be, by reason of what we regard now to be a faulty method of providing for depreciation; if this enterprise by the Canadian National had accumulated depreciation reserves on the same ratio as the C.P.R., then our current results would be far better than they are.

Mr. FISHER: Would you agree this is the first time that this particular analysis has been projected publicly, or at least in this committee?

Mr. GORDON: Yes.

Mr. FISHER: This is what I just cannot understand, how it comes out only now, in 1961, at this late date.

Mr. GORDON: I thought I tried to explain that this afternoon. Let me try to repeat then. Let us hope I will say the same thing. If I do not, let me have a chance to correct it.

The situation was that in 1952, when the capital revision was then in hand—that had originated two or three years before by a series of analyses which finally came out of the Turgeon royal commission report—it was proceeded with on the basis of dealing with the unfairness of loading the existing C.N.R. system with the debts that really belonged to the previous bankrupt company.