

to be realizable without abandonment at all.

The evidence supported, and, save for minor items hereinafter referred to, justified savings to an amount of \$75,300,000 for the traffic level of 1930, as established in the Canadian Pacific estimate submitted to the Royal Commission in 1932.

In view of the enquiries made by various members of the Committee, the Canadian Pacific undertook, since the original hearing, the preparation of an estimate on the basis of 1937 traffic level, and this showed savings of \$56,346,000 without any line abandonments whatever, and savings of \$59,361,000 with allowance for such line abandonments as it was reasonable to assume the Board of Transport Commissioners would authorize under present conditions. This reduction was qualified by the statement that savings would fluctuate with traffic, and, therefore, revert to \$75,300,000 should traffic again reach the level of 1930.

The submission of the Canadian Pacific witnesses was necessarily of a technical nature. The same could be said, though in less degree, of the evidence in opposition submitted by the officers of the Canadian National.

To demonstrate the very special character of the argument made on both sides, it is sufficient to refer to the method used, not exclusively but in the main, to establish savings from unification.

This method required the ascertainment of reduction in train and car mileage obtainable without detriment to public service from the consolidation of lightly loaded trains—a consolidation which, manifestly, unified management could bring about—and from the use of the shortest and most economical routes both for passenger and freight. The result, according to the evidence, was a saving of 6,909,939 passenger train miles, or 14.3 per cent, and 8,897,000 freight train miles, or 15.4 per cent. These percentage reductions and others similarly calculated were used to measure the realizable economy in the different departments where such percentages could properly be applied.

In other cases economy was calculated directly by estimating what reduction would be possible by the consolidation of departments. The train and car mileage formula was used to prove over \$50,000,000 out of the \$75,373,000 of savings claimed as realizable. Other technical methods were applied either exclusively or jointly with decrease in train mileage to establish the balance of the economy so claimed.

All these calculations were based on the figures of 1930.

The Canadian National officers opposed the above formula and its results by denying that the stated reduction in train mileage is exact, and further by asserting that Canadian Pacific unit costs are not applicable to the Canadian National as the lines of the two railways are not comparable. Evidence was submitted by the Canadian Pacific to show that Canadian Pacific unit costs had not been applied to Canadian National operations, but, where used, had been adopted as the measure of cost possible of achievement by the unified system. The Canadian National officers further contended that the Canadian Pacific calculations took no account of the substantial reduction in expenditures of the former system from 1930 to 1937. The Canadian Pacific admitted that permanent savings made in recent years justified a deduction of \$4,801,000 from the original estimate, but showed that additions of \$9,056,000 were

justified by other known items of change. In addition, the evidence showed that by their very nature the temporary savings made independently by the railways were entirely different from the permanent economies which would be possible under unified management through the elimination of duplicate effort. The revised Canadian Pacific estimate to which reference has been made, having been computed on the basis of 1937 level of traffic, completely disposes, if it is reasonably accurate, of the contention that large economies are no longer available because of individual economies effected by the railways, either on account of reduction in traffic, or otherwise.

From 1930 to 1937, gross revenues of both railways fell 21.6 per cent. Combined expenditures of both railways between the same years were reduced by 20.7 per cent.

Mr. Fairweather seems to be the only Canadian National witness who has surveyed the whole question. The gist of his evidence was that large savings from the unification of railways were impossible of realization, as the public and employees would not tolerate consequent reduction of the services and the creation of a monopoly. When confronted with many items of savings to which these objections did not appear to pertain, even remotely, he gave the impression of unwillingness to consider any savings to which his objections did not apply. This general affirmation was supported also in general terms by Mr. Hungerford, the Canadian National President.

Throughout the testimony of these officers there was a pervading strain of concern for the popularity of the Canadian National Railway and management. This is not an unnatural characteristic, having regard to the atmosphere in which inevitably officers who are answerable only to a Government must live. It cannot, however, be too strongly emphasized that such attitude of mind leads irresistibly to redundant and extravagant services and the sacrifice of the taxpayer.

In connection with Mr. Fairweather's evidence in particular, there must be kept in mind the report made by him and submitted to the Royal Commission of 1932. This report embodied the conclusion that there was a possible saving of \$56,230,000 from unification on the traffic level of 1930, and \$50,090,000 for 1931, which latter year approximated closely the traffic conditions of 1937. Further, this report was made at the request of the late Sir Henry Thornton and submitted in train conference to the Royal Commission. It is important also to note that it was prepared prior to the constitution of that Royal Commission, and before the Canadian Pacific, at the request of the Commission, began work on its estimate. For the preparation of the above report Mr. Fairweather had the collaboration of seven technical assistants and access to any information he desired from the Canadian Pacific.

Mr. Fairweather's original estimate is elaborate and comprises an explanatory memo of 12 pages and schedules of 39 pages. Although prepared by a totally different method, it appears to corroborate generally Sir Edward Beatty's contention as shown by the following comparison of the two estimates under their main headings: