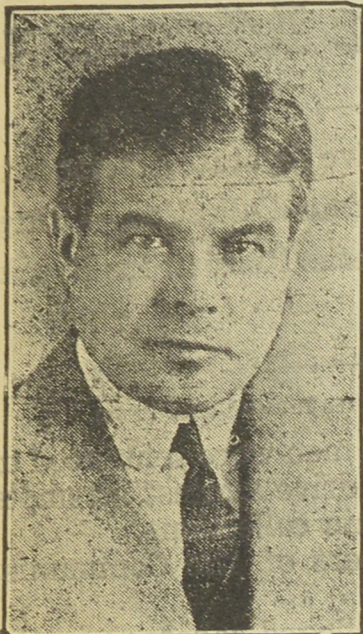


PRESIDENT BEATTY OF THE C.P.R. REVIEWS CONDITIONS AND GIVES VIEWS ON ECONOMIC SITUATION

Following is the annual review of President of the C. P. R., E. W. Beatty, K.C., on the Canadian Economic Situation:—

Writing a similar review to this a year ago I gave it as my opinion that the after-war period of adjustment through which this country was going was still short of completion. To my mind that statement still stands, but



E. W. BEATTY, K.C.
President of the C. P. R.

I would now add to it the positive assertion that unhappy as the past twelve months may have been and as lacking in re-assuring factors as the immediate future may appear to many, 1932 has been a year of definite and constructive progress towards improvement.

We see on every side the effect of long drawn-out world trade depression—a process of economic deflation—grinding slowly forward and leaving behind it a wake of human unhappiness and even ruin in directions where it seemed least likely to be possible.

With this constantly before our eyes, and having no clear vision of a definite end to our troubles, we are tempted to despair or to look for remedies to those who preach short cuts to economic security or unsound and as surely disastrous as were the extravagant and wasteful methods of conducting national, corporate and individual business which so greatly contributed to bringing about of present conditions. At the same time we are prone to overlook those evidences of progress which would justify the belief that this transitional period is taking its well ordered way towards the upward turn to better times that sooner or later will mark its end.

Change of Mind

It seems to me that the most important of the several forward moves that have been recorded during the past year is the change that has taken place in the minds of the people of this country. A year ago most of us were in a state of bewildered wonderment as to what had happened, and one thing we were sure of was that it could not last much longer. Since that event after event of an economic nature has forced home upon our people a far sounder realization of the gravity of the situation and the imperative need for mental, physical and economic adjustment to the changed conditions. That was the first step towards rehabilitation that had to be achieved, and nothing much could be done until the move in that direction was decisive and effectual. Something along this line had been accomplished by the beginning of 1932, but in the light of what has happened since we can now see how far it fell short of what had to be done. During the past year progress has been most important. Indeed it has gone so far that I conceive it possible that in many directions the point of upturn has either been reached or is near at hand. Business institutions and individuals have been forced to re-organize their affairs

until they have brought them to a position where anything in the nature of a recovery in business volume would be handled with directness, economy and efficiency such as would not have been possible in the flamboyant days that preceded this so-called depression.

Public Expenditures

A year ago I suggested that the movement towards economic re-adjustment would go further, perhaps even into public and governmental institutions, and when I say that I consider this latter phase of the general situation to be at least as important as any other now facing the people of Canada, I speak from a conviction that failure to boldly meet and satisfactorily deal with this matter may easily mean national insolvency and will certainly retard any possible return to a reasonably full measure of prosperity. Nothing that the troubles of the past year have brought into public recognition is so outstanding as is the need for curtailing public expenditure and co-ordinating and re-organizing public activities, so that they may be placed upon a basis such as this country of ten million people can well afford. Courageous effort has accomplished real progress along this line but much remains to be done before our national affairs are on a sound economic basis. Taxation must ever be a discourager of trade—and the possibility of increased taxation to carry on the nation's business and most of all to meet interest charges on debts is a disturbing thought at this time. Over the past year, far from having decreased our public indebtedness we have added to it. The call for assistance to the unemployed and their families, under present circumstances, rightly demands first attention. But no less inevitable are the demands for payment of interest charges on increased national indebtedness that, as a result of industrial and commercial depression and past disregard of ordinary business principles, could not have been averted. The nation's annual interest bill is mounting steadily and has done so for many years, a statement that is equally true of Dominion, Provincial and municipal affairs. It is the corporate and individual taxpayer who has to pay these, and since the Canadian Pacific Railway Company pays yearly the country's largest tax bill, I may be allowed to lay particular stress upon their point which I consider call for earnest study at the present time. It might be mentioned here that the Company's tax bill for the year was almost six million dollars, bringing its total contribution to Canada's tax collections since incorporation to about \$116,000,000. Government bodies have not failed to recognize the urgent need for curtailment of expenditure and have made courageous if belated moves towards stemming the tide. This may be accounted as constructive progression in the right direction, and if our people have been brought to give serious consideration to this phase of the national economic situation, it is further evidence that we have set our foot upon the road leading to economic re-establishment.

Railway Situation

The railway situation retains place as Canada's most imperative domestic problem. A year ago we ventured to hope that its early solution was foreshadowed by the appointment of a competent tribunal to probe into its causes and complexities and to present an efficacious solution. In formulating that hope we did not foresee that the proposed solution would be based upon what the Commission thought the people of Canada would be willing to accept rather than upon the stern necessities of the case. Nor was it then apparent that conditions that had brought about the immediate need for effective relief for a situation that threatened national bankruptcy would become still more aggravated as business offerings for the railroads continued to show drastic and unprecedented declines. That is what has happened. The decrease in freight car loadings which began in 1930 has continued almost uninterruptedly. In 1931 up to the end of the first week of December, 558,359 less freight cars had been loaded on all Canadian Railways than for the same period of the previous year. During the same period this year 376,016 less cars were loaded than in 1931. The decline in passenger business has been relatively the same. The resultant effect upon railway earnings has been naturally disastrous. For the first ten months of 1931 Canadian Pacific gross revenue declined 22.1 per cent as compared with that of 1930.

For the first ten months of this year now closing there was a further decline of 15.4 per cent. The decline continues, and there certainly appears to be no evidence in sight that for many years we shall see them entirely eliminated and our earnings back where they were in 1928. It is true that the railways have effected drastic economies. As compared with 1931, Canadian Pacific operating costs for the first ten months of this year were 15.3 per cent lower, and we expect that we shall make a still better showing in this regard throughout the coming year. Here again the past twelve months have been a period of substantial progress.

Economy Needed

Having the best hope in the world, I hesitate to prophesy any great increase in gross earnings and it is my deeply considered conviction that if the railways over the next ten or fifteen years are to live anywhere within their income, economies will have to go very much further indeed than has yet been considered by a great number of our people who, it is only fair to state, have not had even a fair opportunity of informing themselves upon the situation. For years we have been impelled towards large capital expenditures, and at the same time competitive transportation agencies have been built up and maintained out of public funds. The Deputy Minister of Public Works for Ontario recently stated that the total cost of highways in Canada was \$617,323,000 while the preliminary report of the Dominion Bureau of Statistics puts the total expenditure for road construction for 1931 at \$66,250,000. Both of these amounts reflects more than anything else the advent of motorized road traffic. According to the Department of Railways and Canals Canada's total investment in Canals at March 31st, 1931, was \$236,216,461. For approximately eight months of the year they compete with the railways and they are toll free, their users contributing nothing to either operating costs or interest charges. Keeping these facts in view and having in mind the probable course of economic events over the next few years, the urgency of the need for fundamental change in our railway policy should be clearly apparent.

Economic Situation

With some feeling of relief I turn from our own railway problem to the more general economic situation. It is fundamentally a world condition with which we are faced. Dark and uncertain as the outlook may appear to the casual observer, I still think that in this wider field the year has not been without important developments leading towards trade stabilization and encouragements. In the matter of international war debts there have been measurable advances, particularly over the past month. World-wide discussion of the subject and the action of the debtor nations have tended to clear the air and to bring the whole matter nearer a focal point where, I believe, common sense views and a reasonable spirit looking towards just compromise may be expected to assert themselves. Among those whose interest lie in the direction of a resumption of international trade activity the conviction grows that the first steps to be taken is the settlement of this much vexed question. Since there is no phase of industrial or commercial activity unaffected by international trade relations the urge towards settlement steadily becomes more wide-spread.

World Conference

Another factor which I believe will prove to be a constructive influence of far reaching importance in the coming World Trade Conference. Pious hopes might foresee a very general scaling down of tariff barriers that would go far towards encouraging the movement of commodities. If the conference only starts a general movement in that direction it will have been worth while. An outstanding event of our year was the Imperial Trade Conference at Ottawa in July. It has already proved to have been helpful and its agreements are reflected in increased inter-dominion movements of various products. Its full effect upon Canadian trade has yet to be experienced. There exists also the very real probability that it will influence among other nations a willingness to meet on a common ground of trade encouragement.

Not a Pessimist

I do not think that in this review I have erred on the side of pessimism, even when discussing the railway situation. On the subject of Canada's (Continued on page three)

Some Hot Biscuits Today

Make a dozen delicious biscuits this way. Sift together twice, 2 cups Purity Flour, 2 tspns baking powder, 1 tspn salt. Cream 1 tbspn each of lard and butter and mix with the dry ingredients, using the tips of your fingers. Add ½ cup each of milk and of water, mixing with knife until you have a very soft dough. Pat out lightly on mixing board until ¼-inch thick. Cut out and bake in hot oven for 15 minutes.

These biscuits—made with Purity Flour—will keep moist for several days and may be re-heated without getting dry.

DELICIOUS SAUSAGE ROLLS—can be made from the above dough, but use half the shortening. Roll to about ¼-in. thick, cover sausages and bake 25 minutes, or until brown, in hot oven (450°).

MEAT PIE COVERINGS using same dough are extra tasty.

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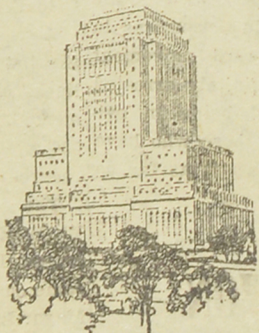
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1911	\$164,572,000
1921	\$536,718,000
1931	\$3,051,077,000



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