ACTING PRESIDENT OF THE C.N.R. GIVES HIS VIEWS ON THE PROPOSED RAIL MERGER

The following submission was made by S. J. Hungerford, Acting President, Canadian National Railways to the Royal Commision on Transportation headed by Mr. Justice Lyman P. Duff, P. C.:

"The building of railways in Canada has nearly always preceded the developement of the section of the country involved, and has been almost uniformly the means employed to colonize and otherwise develope the country. Ever since the inception of railways, there has been an insistent demand on the part of communities for more and more railways with the object of opening up more tributary terribory and thereby securing a larger volume of trade, and the country as a whole has generally supported large railway projects, even although they involved the building of a large amount of mileage through almost wholly undeveloped territory.

Bonuses Garnted

In order to secure the benfit of railway service, municipalities have granted bonuses, and the Provincial and Federal Governments have made large donations of various kinds and have guaranteed securities issued by the railways in very large amounts. All of this indicates that the public was fully seized with the necessity of railway service, if developement was to take place. The building of railways in advance of developement in the territory necessarily implies that there will be a period during which the earnings are not sufficient to support the railway, and the records show that almost every section of line in the country experienced serious financial difficulties for a certain length of time while the communities served were growing and otherwise developing. In this sense Canada has nearly always had a railway problem, and the present one does not differ in principle from the others, except in magnitude; but the population and the wealth of the country has grown with the railways, and proportionately the problem is probably not more serious today than it has been at times in the past.

Mileage Increases

It is significant that while railway mileage increase between 1900 and 1929 by 135%—the gross earnings of railways in the same period of time increased 656% and the external trade of the country increased 645%, from which it appears to be a fair deduction that the external trade of this country has been made possible by the developement through railways.

As another evidence of the value of railway service to the country it may be pointed out that no community lacking railway service has attained any growth and there has been little or no developement in sections of the country where railways do not exist. This desire on the part of the public for the construction of more railway still exist and only the present severe depression has somewhat modified the clamor. It seems a reasonable conclusion that the developement of Canada has only been made possible by the construction of railways and in advance of substantial settlement, and if this policy had not been pursued, Canada would not have attained its present wealth and poulation.

Four Periods

Railway construction in Canada may roughly be divided into four periods in each of which there was some major developement:

(1)—Prior to 1880 when the Grand Trunk and Intercolonial were constructed.

(2)—1880 to 1900—during which the Canadian Pacific was constructed.

(3)—1900 to 1915—when the Canadian Northern, National Transcontinental, and Grand Trunk Pacific were constructed, as well as various branch lines by the Canadian Pacific, and the Pacific Great Eastern and railways in Northern Alberta.

(4)—1916 to 1931—when various branch lines were constructed by the Canadian Pacific and Canadian National Railways.

The third period, viz. from 1900 to 1915, was that in which the greatest amount of new mileage was constructed. Its close co-incided with the arresting effect of the War upon the general developement of the country and our present troubles began about that time as the transportation facilities had been provided but colonization stopped. The general result was the financial collapse of the railways now constituting the Canadian National System and their progressive taking over by the Dominion Government as a necessary measure of policy.

Having assumed control of these various properties the obvious thing to do was to co-ordinate them in order that they might be operated as efficiently as possible and in the accomplishment of this objective all lines were placed under one management and the Canadian National Railway System was the result.

Different Situation

The situation which confronted the new management of the consolidated properties was an extremely difficult one and it had a great multitude of problems to solve. The Grand Trunk Pacific and the Canadian Northern were not entirely equipped for operation and the earlier constructed lines of the latter company were in a very poor physical condition; while the Grand Trunk and the Intercolonial were badly run down as a result of war pressure and financial limitations. All of these groups were very short of rolling stock and what was owned was generally in poor condition and repair.

On practically all the lines the condition with respect to ties, rails, ballast, bridges, buildings, and other features of like character was most unsatisfactory; terminal facilities required enlargement and rearrangement of facilites. Altogether, the physical condition was such as to preclude giving even reasonable satisfactory service.

A Combination

Beyond all this, the management was faced with the following combination of conditions:

(a)—Property bankrupt by a very wide margin, i.e., capitalization far beyond its earning power.

(b)—Lowest average traffic density of any large system in North America.

(c)—Very low freight rates as compared with other countries.

(d)—Necessity of spending large amounts of money to keep certain lines in condition to operate at all.

(e)—The necessity of spending large amounts to place the property In reasonable and economical working condition.

(f)—The insistent demand of the public for the construction of branch lines, grade separations, stations and hotels, and for a higher standard of service generally.

The reason of unreasonably high initial indebtness was the failure for reasons of policy to very substantially write down investment accounts of the constituent companies that had failed under private management, plus the large sums advanced to them by the Dominion Government for interest and operation purposes, both before and after acquisition, but prior to January 1, 1923. The rate structure was also practically beyond the control of the management and, therefore, the only opportunities afforded for improvment were the lowering of operating costs and the developing of more traffic, and both of these were adopted as measures of policy. Among other factors, a good service was obviounly necessary to secure more traffic and a ood physical condition was necessary for ogod service as well as being essential to better operating costs. The improvement in physical condition necessarily cost a lot of money and the fixed charges were thereby increased but the resulting savings were much greater than the increased fixed charges. Under the circumstances outlined above, it is not clear that any other course of action could have been generally adopted and although the cost involved has been great, and much more than compensating savings in the cost of operation have been effected and the people of Canada have benefitted largely from the improvement in service.

Reorganization

In addition to the physical improvements that have been made since amalgamation, complete reorganization has been effected, traffic has been diverted to more economic routes, pre-existing practices and methods have been examined, and the best that could be devised have been adopted for system use. Practically every phrase of the company's operations and mthods have been studied and improved. The collective effect has been that unit costs have shown a substantial reduction and are now comparable with other railways if proper allowance be made for very low density of traffic and other adverse factors.

Today, it can truthfully be said that the Canadian National Railways are well organized, follow the best practices, operate at low cost, and in general provide excellent service to the public, and the loyalty, initiative and general morale of the whole staff stand at a high level, and intensive efforts are constantly being made to secure higher efficiency and lower costs.

Chief Factors

In my view the chief factors in the present railway problem of Canada are:—

(a)—The present world-wide depression.

(b)—Over expansion of railway construction possibly too far in advance of colonization and develpment in some cases.

(c)—Increasing Water competition.

(d)—Increasing competition by highway transport agencies.

(e)—A low rate structure and one not easily adjustable to new conditions.

(f)—Too high standard of certain passenger and steamship services and hotel development.

I reject from the consideration of the problem, the proposal of amalgamation for the following reasons:—

Energy Would Decline

(1)—The consolidation of practically all railways into one system would inevitably result in a serious decline in the energy, initiative, and enthusiasm of the officers and employees which is now at a remarkably high level and which has been largely developed and sustained by vigorous competition. The spirit of loyalty and enthusiasm constitutes a most important asset and if it were seriously impaired, as it inevitably would be, the resultant loss would largely, if not wholly, offset any savings that might be effected. Not only would the railways lose in efficiency and consequently in the cost of operation, but the public would also suffer seriously from the general slowing down and deterioriation of the service. Competition has very largely created the existing morale of the staff and only competition can maintain it.

No Monopoly Now

(2)—In view of teh efforts that have been put forth by the people in various communities and sections of Canada and the obligations that have been assumed to secure competitive railway

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LEMON COCOANUT FILLING FOR LAYER CAKE

Mix 1 cup sugar with 1 tablespoon cornstarch. Add 1 well beaten egg and one tablespoon cold water. Stir constantly over a very slow fire until thickened and boiling. Be careful not to scorch the mixture. Remove from the fire ,add the grated rind of one lemon and 1-3 cup lemon juice. Cool and stir in 1 cup shredded cocoanut. Spread between layers of any good layer cake.

LANDLORD RELIEF

Quebec, Feb. 4—The Government will consider the question of landlord relief at its Cabinet meeting on Wednesday next, according to a statement of Hon. J. N. Francoeur, Minister of Public Works, in charge of unemployment.

A man may like making a fortune—even better than preparing his son to take care of it.

Just after the completion of his broadcast with Burns and Allen the other night, Guy Lomabrdo was handed a box which was obviously designed for flowers. Fearing a practical joke, he hesitated before opening the box in front of the assembled studio audience. However, it proved to contain the orchid—not from Walter Winchell, but from the Toronto Star, presented regularly to its choice of the best radio feature of the week.

Not content with preparing and conducting an average of fifteen Columbia music programs a week, Vincent Sorey consumes practically all his leisure hours with musical activity. He is a prolific somposer, frequently thinking up new melodies as he rides in a taxicab or sits at the dinner table. In addition, he regularly invites a number of his friends to his home on Sunday atfernoons for informal musicales.

Hitler has his chance. It remains to be seen what he will make of it.

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