

The Railway Problem Aly Discussed by Head Of Trustee Board

Full Text of the Statement Made to the House
Railway Committee by Hon. C. P. Fullerton—A
Policy of Economy Will Be Rigorously Carried
Out—Amalgamation Not Authorized by Par-
liament.

Following is the statement of Hon. C. P. Fullerton, chairman of trustees, Canadian National Railways, before the select standing committee on rail- way and shipping, ottawa a few days ago:

To the Chairman and Members, of the Select Standing Committee on Railways and Shipping.

At the meeting of the committee on Thursday last, I was asked for an expression of opinion as to the future prospects of the Canadian National Railways and for my views on co- operation with the Canadian Pacific Railway.

Let me say at the outset that I am not one of those who believe that the Canadian National Railways is a hope- less proposition. I am impressed with the net earning power of the property. The earning power is at the present time obscured by the depression and by the unwieldy capital structure. It is likewise true there are unnecessary

duplicate lines, both within the Cana- dian National System and as between that system and the Canadian Pacific; also there are portions of the system which are now unprofitable and which can never be otherwise. Broadly speak- ing, however, the system is well lo- cated to serve the industrial east; its lines in Northern Quebec and Ontario have shown a surprising degree of de- velopment in lumbering, pulp and pa- per, mining and through the clay belt in agricultural development, and its lines in the provinces are fortunately located.

Not a Defeatist

To be a defeatist with regard to the potential earning power of such a property is to be a defeatist with re- gard to the future of Canada. What is called for at the present time is a policy of rigid economy and of careful administration, and this the Board of Trustees and management intend to give to the best of their ability.

Gross Revenue

The fundamental factor in the prob- lem of Canadian National Railways is one of gross revenues. In 1933 our gross revenue was 148 million dollars, the lowest in the history of the system since the completion of its constituent parts. In 1928 the revenues of the system were 312 million dollars, so that 1933 is below the level of that peak year by 164 millions, well over 50 per cent. The revenues for 1933 were not more than 107 million dol- lars less than the average the pre- vious ten years, a decrease of 42 per cent. This terrific shrinkage of \$2, 000,000 per week in the business han- dled by the railway is the cause of our present difficulties, and until we obtain a substantial increase in busi- ness the problem will remain a prob- lem.

Both Roads Hit

The low level of business transacted of course, is not peculiar to the Cana- dian National Railways. The Cana- dian Pacific is experiencing similar difficulties. In 1933 our revenues de- creased 7.81 per cent compared with the previous year. The C.P.R. revenue decrease was 7.80 per cent. On the 52.78 per cent. Taking Class 1 roads Canadian Pacific the decrease was

of the United States, 1933 in compari- son with 1928, their revenues de- creased 49.89 per cent.

The measures which are open to us to secure a substantial increase in our gross revenues are limited. We our- selves can do little to expand the trade and commerce of the country, either domestic or external. Our ef- forts may affect the distribution be- tween the various transportation agencies of the total volume of busi- ness to be handled, but we cannot by taking thought add to the sum total thereof. I do not think I need to labour this point, it is obvious to us all. It is gratifying to see that the present trend is definitely upward. Our revenues for the first five months of the current year show an increase of \$11,630,000 over last year, an in- crease of about 21 per cent. You ask me what are the possibilities of Cana- dian National operations during the next four or five years. This I can not say. I prefer not to make any forecast regarding the future. It will depend to a very great extent indeed upon general business conditions, over which we have no control. It is not unreasonable, however, to expect a gradual return to a more normal level of business. If we could say that the normal level can be measured by the average experience of the ten years 1923 to 1932, then the revenues of the National Railways will be increased by a hundred million dollars over the 1933 level, and if this is accomplished the National Railways will be within measurable distance of meeting its fixed charge on the Funded Debt of the system held by the public.

Economy Urged

It is our definite policy to seek out every possible means to economy con- sistent with safe operation and rea- sonable service to this policy. Even if there is a return to prosperity we shall still continue this policy. We are fixed in our determination that at all times and under all conditions we must be economical in our expendi- tures. A saving of every one per cent in operating expenses means a sav- ing of one-half million dollars, even on the 1933 level of expenditures.

Every departmental head has under- taken a close survey of his department to see what can be done to secure in- creased efficiency and greater econo- my.

In every direction our officials are at work to see that every item of un- necessary expense is discontinued.

The Payroll

Unfortunately economies cannot be made without displacing labour. Out of every dollar spent in operating the railway, 63 cents is a direct payroll expense. Whilst, therefore, to secure economies labour is necessarily dis- placed, our greatest desire is to see the men returning to work in the es- sential services. In this respect it is gratifying to note that for the first three months of the year, compared with the previous year, the number of employees at work has increased by 6,463.

Interest Charges

Apart from revenues and expenses the other major item in our problem is the annual interest on the funded debt in the hands of the public. In 1923 the amount was 35½ millions; in 1928—42 millions; in 1932 the peak was reached at \$56,965,000. This might be classed as an uncontrollable item. There is not very much the trustees can do about it. It was here when we entered office.

A Saving Possible

Under the policy which has been in effect since 1932 there has been a gradual reduction in the total interest charges payable to the public, and opportunities will arise or refunding existing issues at a lower rate of in- terest. For example, there are two issues of 7% Dominion Guaranteed Sinking Fund Debenture Bonds call- able in 1935, which if refunded on a 4½% basis would save \$900,000 per annum. In this connection I may men- tion it is costing us over two million dollars a year for exchange on amounts required to pay interest in U.S. and Sterling funds. This will be saved if and when Canadian currency can be stabilized on a parity with such funds.

Under Study

Not as to the progress made in co- operation between the two railways, I mentioned the other day that there were under study by the joint co- operative committee of the two rail- ways a number of proposals for line abandonments. Some of these pro- posals involve the elimination of ap- parently unnecessary rail mileage by the abandonment of one company's line and the joint use of the others' (Continued on page three)

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