

(November 26, 1928)

Address

BY MR. E. W. BEATTY,

President Canadian Pacific Railway.

PRESIDENT DALY:—Gentlemen, We are honoured having here today the presiding head of a great transportation system, the genius, courage and imagination of whose founders have contributed in such a vital way to the development of Canada—a system which demands in its leadership today equally outstanding qualities of faith, vision and business administration.

The people of this country have every reason to believe that Mr. Beatty is faithfully and efficiently carrying out the important trust imposed upon him and that he has found the performance of his duties to this great corporation not incompatible with the high conception of public interest and of public service.

But here in Toronto we may welcome Mr. Beatty not only as a great national figure but somewhat more intimately as one who is returning home to the scenes of his early activities, to the City of his Alma Mater, and to his friends who have watched the course of his progress with affectionate admiration and respect.

Gentlemen, I now have much pleasure in asking Mr. Beatty to address us.

MR. BEATTY:—Gentlemen, I must confess that added to the natural satisfaction one feels at receiving a second invitation to be the guest of this Club—a privilege rarely accorded me, and quite properly so—I felt some trepidation in appearing in my almost native city as the Company I represent seems to have given evidence even recently of being out of step with the super-democracy of our times as interpreted by one of your outstanding newspapers. We

have thoughtlessly named our new Hotel the Royal York. There are still some members of our Board who enjoy the doubtful distinction of bearing titles, and for many years we have named our ships "Empresses" and "Princesses" and repeated the error last year by christening others "Duchesses." Our mistakes are conspicuous, but fortunately they have been exceeded by our competitors, who have not only followed the precedent we have established, but have degraded the rank by naming their vessels after the wives of famous British Admirals, some of whom, though women of great virtue, were not even ladies of title in their own right. I feel very sensible of these errors in judgment because I must accept personal responsibility for the selection of many of the names. In my ignorance I had thought that names such as the "Empress of Canada," "Empress of Britain" and "Empress of Scotland" were very proper to be borne by the finest Canadian vessels plying between Canadian and other ports of the Empire. They struck me as dignified, impressive and appropriate. Then we have our "Princesses," some of them in consonance with the spirit of the times, very fast "Princesses." Our "Duchesses" are dignified liners, and you know what Mr. Kipling says about the liner: "She's a lady."

In my doubt as to the propriety of my being here, I appealed to your President, and he attempted to calm my fears by intimating that I would never be taken for anything but an ordinary fellow, and that my long residence here would be remembered. I told him they remembered that against me in Montreal, too.

The matter of my personal attendance being satisfactorily settled, I set about for a subject and I applied to your President for assistance. He told me that I could address myself to any topic providing it had no political flavour and that I would be safe so long as I confined my remarks to a subject upon which two different views could not possibly be held. I asked him if I might speak on the Canadian Pacific and he promptly told me no. I did not mind Mr. Daly saying "no" because I do not suppose there is any one in this country who has had "no" said to him more often than I have—by both sexes—but your President's "no" sounded like "certainly not," and I thought that per-

haps my enthusiasm for a just cause had outrun my wisdom, and that I had in some way committed a serious *faux pas*. Then I asked him if I might speak of the Canadian National Railways, and he replied that no gentleman ever spoke about the Canadian National Railways. I then had a brilliant idea as to the subject of address and I suggested that I might speak on Transportation Misconceptions. As the word Transportation would include the Canadian Pacific and Misconceptions would embrace the other railways, I would be able to speak upon a subject of which I am supposed to know something and I would still remain a gentleman or as much of a gentleman as I could be being born in Thorold, educated in Toronto, and a resident of Montreal. Here again the super-caution of your presiding officer showed itself, and he vetoed that proposal as opening the door to my saying unpleasant things about some of our transportation activities, and he said the members of the Canadian Club were very jealous of the amity which prevailed in all their functions.

Being thus repulsed on two occasions, I decided to speak to you briefly on the subject of transportation and development, and, having explained with more or less satisfaction the real and imaginary reasons why I am your guest, and the equally imaginary reasons for the choice of my subject, I am going to devote the next few minutes to explain some of our transportation problems and their status, if I may use that much-abused word, in the problems and future of this country.

It is a trite saying that no nation is prosperous whose lines of communication are not efficient and successful. It is equally true that in all countries agencies of transportation are virtually adjuncts of business. In Canada you may properly add that they are and have been for many years the greatest colonization and development media in this country. It is easy for me to speak to you of what the country owes to its railways, and what measure of appreciation they deserve. Quite naturally you would regard me as a prejudiced witness, and you would be right in your conclusion. You might equally naturally discount in part at least what I might say because of my railway association, but if I am prejudiced in favour of the railways it is

because I have some knowledge of their history and their achievements and the important contribution they are making and must continue to make to this country's future development. It may be that in the course of these remarks I will refer to their position not as an advocate who by special pleading endeavours to convince you of the peculiar importance of transportation, but because your prosperity is ours and ours reflects to a more accurate extent than any other what measure of success attends the efforts of agriculturists, miners, lumbermen and manufacturers throughout the whole of Canada.

We are all primarily conscious of the fact that this country, measured by any of the yard-sticks by which the prosperity of a nation can be gauged, is a very prosperous country; public men, no matter what their political faith, concede the fact, and various reasons, depending somewhat on the political attitude of the speaker, are given for this prosperity, and for its soundness or unsoundness, its permanency or otherwise. There is perhaps no one reason to which we can attribute all the improvement in Canadian conditions, but there is one which stands out above and beyond all others and that is the impetus given by successive crops, large in volume or in money value. We hope the day will some time come when our prosperity will be said to be equally balanced as between agriculture and the development of natural resources and industry, but for the moment we must, I think, admit that we are pre-eminently still an agricultural country, and that when Providence ordains that our crops shall be larger, we are almost inevitably prosperous. The reflection of success in this country's basic industry naturally shows itself in our general commercial activities. While it is a matter of deep gratification to all Canadians that we are moving forward, it would, I think, be a mistake for us to assume that we have ourselves made that prosperity possible. We may agree that by thrift, courage, personal effort and the utilization of such commercial instruments as are at our disposal we have made a contribution—perhaps a substantial contribution—to the general progress of Canada, but we must at the same time concede that the major cause lies in the quality and quantity of the production of our field crops,

and these are dependent upon conditions which we do not control. Whether we have one view or another in matters of fiscal and trade policies, whether we believe that this prosperity of ours is permanent or otherwise, soundly based or otherwise, we must admit its existence, and in ordering our affairs we undoubtedly should take full advantage of that fact.

It is generally true that in exploitation and development of our natural resources great progress has taken place in the last few years. There have been some set-backs, notably recently in the newsprint situation, and we can only hope that it will be of a temporary character, because it would be little short of a tragedy if what has become a great basic Canadian industry should suffer by reason of overreaching, destructive competition, over-production or lack of co-operation, and we can only assume, as I think we should assume, that the astute gentlemen of great commercial acumen who preside over the destinies of that great industry will, with the assistance of Premier Ferguson and Premier Taschereau, find a way to correct a situation which must, if permitted to continue, result in serious damage to Canadian interests.

But when I mention the improvement which has taken place—an improvement which is not absolutely uniform, of course, but which extends to many of our most important enterprises, including the railways—I wish to call your attention for a moment to the peculiar position of your railways in the matter of public recognition. Canada has had to face many phases of railway development and for a time the outlook was not good, but the burdens were heavy and the need of efficient transportation very great. Fortunately for all of us the general improvement in Canadian conditions reacted on the agencies of transportation as it did on other enterprises and industries, and by doing more business we were able to overtake at least in part the serious inroads into our revenues occasioned by steadily increasing and uncontrollable costs of operation. The psychology of our people towards the matter of railway revenues is not always easy to understand. They have insisted, and quite properly so, upon a very high standard of railway service and they have secured it. The railway ser-

vice in Canada equals, if it does not exceed, in safety, efficiency and comfort, that of the wealthiest nation in the world to the south of us. If we can make this statement of comparative effectiveness honestly, as I think we can, then we should be able to say that our operations are carried on under at least as favourable conditions as the railways of the United States. Unfortunately, we cannot say that we receive the same rewards, that we do the same business or that we can do it at the same cost. The average rate per ton mile in Canada is about $5\frac{1}{2}\%$ lower than in the United States. The average of our grain rates is 40% lower than those in the United States. The United States has 115,000,000 to 120,000,000 people; Canada has between nine and ten millions, consequently the population per mile of railway is four hundred and seventy-eight in the United States and two hundred and forty-one in Canada. The density and the diversity of traffic in the United States is much greater than in Canada, and again as a natural result of this condition the average net earnings on railways in the United States in 1927 was almost three times per mile those of Canadian railways. The anomalous condition in which we find ourselves is that notwithstanding the considerations I have mentioned to you and notwithstanding that in spite of distances, sparse population, difficult operating and climatic conditions, higher costs and smaller traffic, Canadian railway rates are, generally speaking, the lowest in the world—the effort to gradually whittle the revenues of the companies through rate agitations still continues.

As I have said, this is a psychology that is difficult at times to appreciate. National considerations and considerations of transportation efficiency and industrial prosperity seem to require that your railways should be prosperous. They are improving their position largely because Canada is more prosperous and their own efficiency is greater, but they have not yet reached the point at which their revenues can be said to be excessive or even adequate. The figures of the National Railways you are familiar with and the earnings of the Canadian Pacific during 1927 were only sufficient to give a return of 4.04% on the cash invested in its railway properties. If these properties were valued

in accordance with the method adopted in the United States the earnings would not be more than 3% of such valuation. In the result, therefore, when necessary expenses, interest and other charges and dividends are paid, the amount left for the improvement and betterment of the property is very small indeed, even in the case of the Canadian Pacific, the most prosperous of Canadian transportation companies.

In Canada, however, there is a phase of transportation activity which does not exist in the same extent in older and more densely populated countries. That is the part the Companies must play in new development—the inevitable construction of branch lines and extensions into new territory, in some cases many years before traffic sufficient to support them can be developed. That is a natural consequence of our newness, of our size and of the fact that colonization and settlement and mineral and other developments are apt to take place in outlying districts. We are not, therefore, in the position of many other railways in older countries of simply carrying traffic from established industries to consuming centres. We have been and will be for many years yet pioneering in our railway operations. This means, in the case of private companies, adequate credit and resources. These are considerations which sometimes, I think, escape the observation of even our business men. The companies are so large, their activities so widespread and variegated that the fact that they are commercial entities which must be soundly and wisely financed and earn sufficient revenues to protect their operations, their property and their credit, is sometimes forgotten. 44% of the railway mileage of this country is still in private hands. These companies have no open sesame to the public treasury and they must earn returns on every dollar they borrow lest their credit be prejudiced, if not destroyed. Because of their size, the companies are often thought to be able to raise unlimited amounts of money and easily bear all the risks incident to the assumption of these enormous obligations. That, however, is not the case.

The pressure which is brought from different localities for large expenditures is very great, and while there never has been a time in railway operation in Canada that their

administrators did not have to show courage, the courage which involves the expenditure of huge sums of money should be a courage based upon reason, and the principal source of our confidence must be the conviction that our services in transportation will be adequately paid for. Two consequences always follow the improved financial position of your transportation companies; one, that costs inevitably go up, and two, that appeals for decreased rates and therefore lessened revenues inevitably follow. If, in the interests of their own safety, in fact of the nation's safety, the companies at times have to take definite positions for their own protection, they are not to be blamed, and any business man confronted with the same pressure and the same considerations would, I think, adopt an absolutely identical attitude. A good example of what I mean occurred not long ago in this city. Here we are constructing a hotel which in size, magnificence and in cost excels anything heretofore built in the British Empire. Toronto is not the largest city in the British Empire and yet there is no place within the bounds of the Empire and few in the great American republic which will be able to boast of such a commodious and luxurious hostelry as we hope the Royal York Hotel will be. The Royal York is not yet completed and the revenue results from this enormous expenditure will not be apparent for some time to come, perhaps for two or three years, and yet in this situation the suggestion has already been made that these facilities should be duplicated by our competitors, presumably by the construction of another hotel somewhat of the same size and type. We have taken a step which is a forward one, both for the owners and the City of Toronto, a step, I may add, taken because of our confidence in the future of this city, its attractiveness and its commercial pre-eminence, and we will invest approximately \$16,000,000 in the construction of one building. If immediately, indeed almost before it is made, by duplication and by the expenditure of public moneys that investment is to be prejudiced or at least adversely affected, such action would, I think, be most unfair and most unwise. It would be an example of what we are all anxious to avoid, waste and premature expenditure, if we are to gain the greatest good from the improved coin-

ditions of the country and not anticipate results before they are reasonably assured. It would constitute a duplication which might well be described as destructive competition. As I have intimated, this is not an unusual situation. It has occurred in many places in Canada in the last decade and before. It is due to unthinking optimism, extreme civic pride or some other reason not related to sound economics.

The psychology of the people in the matter of expenditures is not difficult to understand. Extravagance is easy to justify; it is never called extravagance but described in much more appealing and attractive language. Prudence and economy, even though accompanied by forward and constructive policies, are not popular, and are not so readily and so plausibly explained. Large corporations, even those confronted with a highly competitive condition, would be wise to respect the integrity of each other's investment and restrict duplication and therefore waste to a minimum, and the same observation would apply with even greater force in the case of a government in competition with a private enterprise. While the avoidance of duplication is not possible in all cases, it should be confined within reasonable bounds and to those cases where commercial necessity or public convenience demands it or where real and new benefits will flow from it.

One more observation and I am through. I know that many of you gentlemen are concerned with industry or with finance and you know the importance we all attach to the support of Canadian enterprises by Canadians. You also are aware of the rather speculative tendency that has crept into our financial operations in the last few years. You are aware that many of the most conservative and most stable institutions have bowed to this popular demand and have gone to great lengths in order to make their securities attractive in the public markets. With any movement or policy designed to broaden the investment of Canadians in Canadian institutions I am in entire accord. There should, I think, be a maximum of investment in Canadian corporations, especially in banks, public utility companies and transportation companies of, so far as possible, a permanent character. The Company I represent

is, I think, the only billion dollar private corporation in Canada and one of only a few in the world. Over 97% of the total amount of the investments of the Company in all its varied enterprises is in the Dominion of Canada. It has been noted over a period of years for the conservative and impeccable character of its financial structure and operations. It is an extraordinary company in a great many ways. Conceived as a national undertaking, it was administered as such from its inception, though it was always permitted to enjoy the blessings of private ownership. By reason of it being a pioneer railway in a new country it necessarily embarked in subsidiary enterprises which would not be desirable or perhaps permissible if conceived under present-day conditions. Its variegated activities, of course, have not been detrimental to the interests of this nation because I think we can say without attempting to unduly extol its administrators, its affairs have, generally speaking, been wisely and efficiently conducted. Now, you will appreciate that this Company was first a railway company only and railway transportation is still its major activity, but the Canadian Pacific Railway Company of today is much greater than a railway company in the ordinary interpretation of that term. It comprises within one corporate existence many activities, several of which, taken by themselves, would be considered very substantial Canadian enterprises. It, for example, is a steamship company, and the largest Canadian steamship company. It is the only Canadian company maintaining a first class passenger service to and from Canadian ports and its addition to its fleet in the last five years has involved an expenditure of the enormous sum of \$45,000,000. It is a lake, river and coast steamship company. It is a telegraph company. It is an express company. It is a hotel company. Its hotel investment alone constitutes it one of the largest of its kind in the world. It is a land company. It is a settlement and colonization company. It is a lumber company. It is a mining company, the second largest mining company in Canada. It is a townsite and housing company. It is a coal company. It is an irrigation company and it owns and operates experimental farms. Some idea of the wide area over which the Company's operations must of neces-

sity be conducted is gained from the statement that in making out our monthly balance it is necessary for us to turn fifty-nine different currencies into dollar currency in order to give an accurate result in Canadian money. In golfing parlance, we are therefore "two up" on the celebrated Mr. Heintz. Not all of these subsidiary or ancillary enterprises are operated for direct monetary gain, but many of them are successful and the Company's investment in them has turned out to be profitable. This fact periodically gives rise to the suggestion that they should be divorced from the parent company and that they should be utilized for the more immediate and direct benefit of the Company's shareholders. The suggestion has never been heeded by its Directors because it runs counter to their conception of the best method by which the integrity of this great property may be preserved and its financial stability assured. I should hope that the Company will, as its charter provides, be maintained and worked in perpetuity as the Canadian Pacific Railway Company. I should hope, too, that as in the past it will in the future secure support, permanence and stability from the fact that the results of all its operations find their way into one treasury for the protection and benefit of property and its shareholders, not its shareholders of any particular day or week but its shareholders from time to time throughout its existence. I would not care to see any action taken which would weaken the Company now or in the future. Not all years are prosperous years, and hopeful and confident as we are of the continuing prosperity of this country, we cannot avoid the conclusion that there is no assurance of this, that recurrent commercial and business depressions may come in the future as in the past. We may have war or economical disturbances which may be worldwide and serious, and I would think it the part of wisdom that this Company, making fair and adequate provision by way of distribution to its shareholders, should always keep in mind that the greatest benefit to them is through the continuous maintenance of its full strength—financially and as a transportation system. I can imagine no other way in which the Company can be depended upon to from year to year and every year perform its important public services for

the benefit of the country and of its owners than its maintenance as a unit as at present.

Will you permit me in conclusion to stress the national character of the activities of your railway companies. I do not care particularly whether they are privately-owned or publicly-owned, both are performing services of the highest importance to this Dominion. The Company I represent has had very exacting obligations imposed upon it by its charter. It has endeavoured to discharge them and to meet to the best of its ability the almost greater obligations of the even more exacting public. It has not hesitated and will not hesitate to spend its funds freely for the advancement of this country and therefore of its own interests. It will do so for two reasons: first, because the country is entitled to expect from the Company the maximum contribution to Canada's development, and, secondly, because the present Directors have the same implicit confidence as their predecessors possessed in the future of this country and propose to express that confidence with business prudence to the full extent of its financial resources.