

APPENDIX No. 3

to handle all the freight that was offered, and a great deal consequently was sent by express, consequently a tremendous organization had to be built up by the express company. Now, there are three railways and three express companies operating in the West, and the Dominion Express Co. has no doubt a big organization and equipment on its hands, and necessarily a very much smaller business. But I cannot conceive how the Canadian Express Co. would be at all in the same category.

THE WITNESS If that explanation covers the whole situation, then you would find a loss of gross revenue on the part of the Dominion Express Co. Now, there was no such loss. It was simply the increase of operating cost and the increase of express privileges which caused the reduction.

By Mr. Hughes (Kings, P.E.I.):

Q. You say the reduction in the net profits is inexplicable to you?—A. It is.

Q. It is quite apparent to me.—A. I hope you will give me the secret then.

Q. It is the increase in the operating expenses and the express privileges.—A. This is a first-class company, a very first-class company; and these express companies are all excellent companies. You would expect them to show as much shrewdness and care in their business as you would show in yours; and if you find conditions adverse you would begin at once to try and save. This is controllable expenditure I am speaking of; operating expenses are to a certain extent controllable. For example, last year the railways of the Dominion lost \$43,000,000 of earnings, but they cut off nearly \$43,000,000 of operating expenses.

Q. This is not a matter of what you would expect; it is what the figures show. They show a large increase in operating expenses.—A. Why?

Mr. HUGHES (Kings, P.E.I.): I do not know.

Mr. STEWART (Lunenburg): The mathematics is all right.

By the Chairman:

Q. Can you state to the Committee who are the directors of the Dominion Express Co.?—A. Yes, President and general manager, Walter S. Stout; vice-president, R. Paton McLeod; directors, W. S. Stout, R. Paton McLeod, Sir Thomas Shaughnessy, C. R. Hosmer, and R. B. Angus.

Q. These gentlemen are in close association with the directorate of the Canadian Pacific Company?—A. There is no question that the Dominion Express Company is absolutely a subsidiary company to the Canadian Pacific Railway.

Q. Is the stock of the Dominion Express Company owned by the Canadian Pacific Railway?—A. The stock of the Dominion Express Company is put down at \$2,000,000, but there was never any money passed in the matter.

Q. Do you know from the reports of the railway which you have, if earnings are credited to the Canadian Pacific Railway?—A. Absolutely.

Q. From the Dominion Express?—A. Not this year.

Q. But hitherto?—A. Ten per cent, and the balance went to the Canadian Pacific too.

Q. If there were an object at all in covering up earnings, it would merely be that the express company might not be showing it in the way of dividends; but at the same time the Canadian Pacific Railway Company would be making it in the way of charges against the express company for operating expenses or express privileges?—A. I think I ought to say this: it would be entirely unfair on my part, as a mere officer receiving these returns, to make any suggestion of impropriety or concealment. I am simply saying it is absolutely inexplicable to me, unless you ask me to explain it.

Q. I am not asking you that. If a certain amount of money is received and disbursed, a large portion of it in expenses and another portion in express privileges, does not the Canadian Pacific Railway receive as much benefit as if a certain portion were paid to them in dividends? Does the Canadian Pacific Railway Company get

Mr. J. L. PAYNE.