

Mr. HATFIELD: Do you have any advantage on the increased freight rates in the United States by being initial carriers, furnishing the freight, do you get any advantage from that?

Mr. VAUGHAN: No, sir; except that the initial carrier usually gets the benefit of a higher proportion of the rate. If it goes over two or three lines the initial carrier gets the greatest proportion of the rate on a mileage basis.

Mr. HATFIELD: I know, but do you get any greater proportion on account of the increase in rates than you had before the increase?

Mr. WALTON: No greater proportion.

Mr. VAUGHAN: Not a greater proportion; no, sir.

Mr. HATFIELD: It is a percentage increase?

Mr. WALTON: Yes.

Mr. JACKMAN: If rates remain about constant this year how will the competition by the lake boats from Fort William affect you?

Mr. VAUGHAN: There has been some increase in lake freight rates.

Mr. JACKMAN: But you are not competitive with them the way rates are now, I refer to the competition with lake shipping from Fort William?

Mr. VAUGHAN: Freight rates by lake are much lower than ours.

Mr. JACKMAN: And always will be.

Mr. VAUGHAN: And always will be, yes.

Mr. JACKMAN: On page 7, the net income result of \$35,719,000 is equal to a return of 1.78 per cent on the total capitalization of the system; may I just ask what goes into capitalization; is that the funded debt to the public, or the government?

Mr. COOPER: That is set out on page 12, Mr. Jackman. The capitalization of our railway at the end of last year was \$2,008,206,878; and interest return, \$35,719,000 is 1.78 per cent on that total capitalization.

Mr. JACKMAN: That includes proprietors' equity?

Mr. COOPER: Yes, sir.

Mr. JACKMAN: That does not include the capital written off?

Mr. COOPER: There was no capital written off. What you means is—

Mr. JACKMAN: This includes the historic capital of the C.N.R. system?

Mr. COOPER: In 1937, if you remember, certain government loans were transferred into equity capital.

Mr. JACKMAN: Yes.

Mr. COOPER: \$270,000,000; that is in the \$2,008,000,000 we speak of.

Mr. JACKMAN: Everything complete?

Mr. COOPER: Everything is complete. That represents as far as I can figure it the total capital which is invested in the Canadian National at the end of 1946, \$2,008,206,878.21.

Mr. JACKMAN: With no allowance for write-offs or anything?

Mr. COOPER: No. The amount we wrote off in 1937; if I may make that clear; the amounts we wrote off were for deficits and interest on deficits. Advances for capital were continued in the capitalization of the railway.

The CHAIRMAN: Gentlemen, have you covered with sufficient thoroughness the report presented by Mr. Vaughan so that we may now take up the balance sheet item by item? Are there any other questions about Mr. Vaughan's report?

Mr. NICHOLSON: I wonder if you have any information regarding the total cost of maintaining railway offices in other countries, and whether it is a profitable and necessary service to maintain such offices?