

amount to be provided for this purpose is limited to \$8,800,000 divided as follows:

Additions and betterments, less retirements	\$15,008,000
Acquisition of securities	1,015,000
Retirement of maturing obligations, including sinking fund, and equipment: principal payments.....	10,777,000
	\$26,800,000
Less available from reserve for depreciation and debt discount amortization	18,000,000
	\$ 8,800,000

The capital budget as set out above was approved by the standing committee on railways.

I think, Mr. Chairman, that is all the explanation which is probably necessary at this time.

Mr. FRASER: Why cannot this money be taken out of the earnings of this year?

Mr. MAYHEW: It is all taken out of earnings but \$8,800,000.

Mr. FRASER: Well, why could not that be taken out of earnings? This is the best year the railway has ever had.

Mr. HAZEN: I was a member of the committee to which the annual report of the Canadian National railways was referred. I had the opportunity of hearing the evidence which was given by Mr. R. C. Vaughan, president of the company, and other officials of the railway. There are one or two matters arising out of their evidence which I should like to bring to the attention of the committee, but since I did not know that this matter was coming on until some time this afternoon, I trust the committee will bear with me if I follow very closely the notes I have with me.

Mr. MAYHEW: The bill cannot be distributed until after it has been introduced; therefore hon. members have not the bill in front of them. So may I suggest that the hon. member should allow the second reading of this resolution to pass and make his statement in committee on the bill itself.

The ACTING CHAIRMAN: (Mr. Golding): What is before the committee now is the resolution. If this is passed, the bill will follow.

Mr. HAZEN: I am speaking to the resolution, Mr. Chairman, if I am in order. The report of the directors of the Canadian National Railways to the Minister of Transport, which was dated March 15, 1945, and which was submitted to the committee for examination stated on page 7 that the cash surplus for the year's operations was \$23,062,924.35 as compared with \$35,639,412.23 for the

previous year; that is, there was a decrease of \$12,612,000. This is a very large decrease. When it is considered that the operating revenues were over half a million dollars more than in the previous year it is an alarming decrease. The decrease was the result of the operating expenses of the railway being \$38,072,000 more than in the previous year.

The report states:

This increase in operating expenses was occasioned by higher wage rates in 1944 as compared with 1943, amounting to \$23,348,000; higher prices of materials \$7,102,000; and additional maintenance of track and equipment \$5,893,000. The amounts referred to for wages and materials do not represent additional man-hours or additional quantities of material but result from higher unit prices paid by the railway for labour as the result of retroactive wage awards by regulatory authorities and the increased prices paid for fuel, ties, rail and other materials used in maintenance and operation.

The report goes on to say that the average price of fuel increased from \$5.37 to \$6.10 per ton, involving an added expenditure of \$4,906,000. New rails averaged \$57.33 per ton as compared with \$55.26 per ton in the previous year. Treated ties averaged \$1.65 compared with \$1.42, and untreated ties, \$1.04 compared with 88 cents. There was an increase of 2.5 per cent in the price of other railway materials. These figures show clearly that the "historical decision", as the Minister of Finance called it in his budget speech, at page 1035 of Hansard, made by the government in October, 1941, to consolidate wage controls, institute salary controls and impose comprehensive price ceilings, has not been lived up to so far as our railways are concerned.

In connection with this matter I wish to call the attention of the committee to the replies to one or two questions that were asked Mr. Vaughan, president of the Canadian National Railways, when he was before the railway committee, as reported on page 23 of the proceedings:

Mr. Reid: What about the cost of materials? I notice that fuel oil has gone up by at least 14 per cent, coal has gone up, new rails have advanced and the price of steel. Some of these articles were under the price ceilings. Evidently something has escaped the price ceiling.

Mr. Vaughan: That is true. When some of the steel mills wanted an increase in the price of their products it was felt that the ordinary consumer of steel could not pay. Apparently in Ottawa they thought the railways were doing pretty well and they could afford to pay, so they selected some of the commodities the railways use and advanced the prices.

Mr. Reid: And they went over the ceiling. Those steel prices were not under the ceiling, so they made the railways the goat.

Mr. Vaughan: Those prices were ceiling prices. That ceiling price was raised by the wartime price control on some of these commodities that the railways use. That was true