

HON. MR. HOWE: I think it has been adjusted since 1934. It was adjusted a year ago, so they are on exactly the same basis, proportion of freight rate to destination.

MR. HEAPS: I should like to ask a question in regard to that. You can get coal at \$1.50 a ton at the mine mouth from your own mines in United States and you pay probably two and a half times that for the Nova Scotia coal. Have you taken that into consideration?

MR. VAUGHAN: I think conditions have a lot to do with it. The seams in the mines in United States as a rule are easier to work, thicker seams, and the miner can produce more coal probably in a day than he can in these other districts. In Nova Scotia, of course, they have a lot of water to contend with.

MR. HEAPS: Not in all the mines, in some.

MR. VAUGHAN: In some.

MR. HEAPS: They have some mines in which coal is produced easily and cheaply.

MR. VAUGHAN: Yes, they have.

MR. HEAPS: It is practically the same in these mines in the States?

MR. VAUGHAN: Practically the same.

MR. HEAPS: Then, that is not really the determining factor.

MR. VAUGHAN: What we are endeavouring to do is to buy our coal based on quality, if we can. Many of the coal mines in Nova Scotia produce a poor grade of coal.

MR. RYAN: The only point I want to bring to your attention is this, and I do it not in a spirit of criticism at all. You refer to the fact that the Canadian National Railways should not take advantage of the New Brunswick coal because the C.P.R. is there on a competitive line. I do not think you should take that basis at all, because after all, my position is this: the Canadian National Railway is a publicly owned railway.

MR. VAUGHAN: Mr. Ryan —

MR. RYAN: I just want to say this, any deficit that you incur is paid directly by the taxpayers of the Dominion of Canada. They make it up, and it represents some \$30,000,000 or \$40,000,000 and having that in mind, New Brunswick contributes also to the payment of the taxes. I do not think when you go to purchase coal you should consider yourself in the matter of competition with the Canadian Pacific Railway.

MR. VAUGHAN: We are already buying the coal from five mines on the Canadian Pacific and only from two on our own lines, so I think we are trying to be fair.

MR. RYAN: I do not know where that takes place. Where is that.

MR. VAUGHAN: Two mines—

MR. RYAN: You are speaking of outside of New Brunswick again.

MR. VAUGHAN: No, I am talking about New Brunswick. We buy coal from five mines in the province of New Brunswick located exclusively on the C.P.R. and from two mines in the province of New Brunswick on our own lines.

MR. RYAN: I understood you to say the coal is delivered by the miners, they pay the freight.

MR. VAUGHAN: That is quite true. Unfortunately that coal is produced in mines that are served exclusively by the Canadian Pacific Railway.

MR. RYAN: Of course, the geographic position does not apply.

MR. VAUGHAN: Do you think it is fair to ask us to use so much coal from New Brunswick when some others should be doing their share.