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Col. V.I. Smart,

Montreal, March 28th, 1935.

We are operating the Australian - New Zealand Service with eight ships, and it is only by the closest supervision that it has been possible for us to sail these ships anywhere near their advertised dates, and if we did not adhere to the advertised date as closely as possible, we would naturally have complaints from Canadian exporters. It has been our endeavour to hold all Canadian traffic to Canadian ports. Shippers in Canada, particularly automobile shippers, can route as easily via New York - in fact easier with far better service than they can secure from us during the winter months.

The exception taken by Saint John in regards to not being allowed to do this work at a Canadian yard and the routing of newsprint paper to Portland rather than Halifax is, I am assured, instigated not primarily on these points but largely on the general attitude of the System in favouring Halifax as compared with Saint John. In both these instances I suppose they had rather good excuses to take exception to what transpired in Saint John on the Chairman's visit last autumn, and also the interview granted a delegation from Saint John at McGill Street last fall. The residents of that City were entirely dissatisfied with the System activities as a whole and the definite decision that the steamers on the Australian - New Zealand Service would not terminate at the port of Saint John during the coming winter.

One's record and past performance and what I have been successful in carrying out with the hearty co-operation of practically the entire personnel of this organization is reflected in the figures which I give you in the attached statement, and which I am prepared to stand by, and I am also definitely satisfied in my own mind that they are above criticism.

I joined the service as Assistant General Manager in July 1929 and therefore feel I am entitled to take some credit for the actual reduction of expenses prior to my actually taking charge in 1932. Reference to back figures can be secured at any time if desired, but I would like to point out insofar as the Merchant Marine is concerned, the Operating result has improved by approximately \$200,000.00 and in the West Indies fleet, by \$165,000.00 since I took charge, and that expenses have been reduced by \$170,000.00 in connection with the C.G.M.M. with little change insofar as the West Indies Service is concerned. I must also mention in justice to the organization that these improved results have taken place during the worst three periods of the depression when revenues were very materially lower than they had been in the past.

One of the primary reasons which prevented me from passing on all matters of detail to the Chairman was the fact that when I came into

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