

Mr. FISHER: Is it the general feeling on the part of the board that the freight subsidy has worked satisfactorily?

Mr. KIRK: We are making it work.

Mr. FISHER: I mean in its effect? Has it tended to do what it was supposed to do?

Mr. KIRK: We think so.

Mr. FISHER: You would say that it is a vital part of the freight rate structure?

Mr. KIRK: I think so. It has achieved the purpose already of reducing the cost of hauling traffic across the so-called bridge. Of course, it was not put into effect without a great deal of difficulty, but we think we are making it work. It might interest you to know—although I cannot give you the complete current figures—that for the fiscal year ending 1958 the reduction averaged about 6½ per cent in freight revenue.

Mr. CREAGHAN: Does \$7 million go to each company?

Mr. KIRK: No, it is a total of \$7.

Mr. CREAGHAN: Which company gets the larger share?

Mr. KIRK: It depends on who handles the traffic. We pay or reimburse them on the amount of traffic carried.

Mr. CREAGHAN: The actual maintenance has nothing to do with it?

Mr. KIRK: Only to measure the amount of money available to make the reduction work.

Mr. FISHER: How does that subsidy get back to the shipper?

Mr. KIRK: Because the tariffs have been so arranged that when a shipment is made and a billing is made, the reduction is made immediately. The company is the one who is out the money for at least two months. We reimburse the company for the loss of revenue.

Mr. CREAGHAN: Is there the same type of reimbursement as contemplated in bill C-38?

Mr. KIRK: I have had little to do with this particular aspect, but I think it would have to follow somewhat the same procedure. However, I do not think it has been worked out yet.

Mr. CREAGHAN: You more or less approve the bill, do you not?

Mr. KIRK: We receive the bill from each railway, and we check it. If it is correct, we pass it on forth payment, and it is paid directly to the railway.

Mr. FISHER: Has the freight subsidy ever been a contentious issue in any of the hearings that the board has held?

Mr. KIRK: I would not think so in the sense of contentious. It was involved in a case dealing with rates on lumber from the Pacific coast, and it was withdrawn from that traffic.

Mr. FISHER: It would be involved in any question of this rail rate differential, would it not?

Mr. KIRK: It is not paid in any way to the steamship lines. The steamship lines absorb the same amount of subsidy that the railways receive in compensation per unit of traffic, of course, but the steamship company advances the amount itself.

Mr. FISHER: There is a statement in one of the board's hearings that the first year the subsidy was introduced, Canada steamship lines lost \$500,000. Do you remember that?