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Col. V.I. Smart,

March 28th, 1935.

However, in view of these instructions, I naturally had to abide by same, but felt assured at that time in view of the onerous duties of the Chairman, I could not possibly consult him as regards all the details of the business, and it had not been the custom in the past to do so nor is it the practice in a privately organized Company to consult the Directors in relation to the actual management of the ships.

The first difficulty that I ran up against was the appointment of an Engineer-in-Chief which you will no doubt recall I recommended in a report to the former Board of Directors in 1932. My anxiety to make such an appointment was due to the fact that the ships had been allowed to run down to such an extent that when sales took place, we were forced to accept prices much below what should have been secured for vessels of an age under fifteen years. The reports in respect to the various steamers have just about been completed at this time, and by reviewing same, it will be noted that the condition of the fleet other than the new passenger vessels is deplorable and is entirely due to inefficiency and lack of proper supervision in the early years of their life.

It was only after three or four months that I was authorized to make such an appointment.

Might I also bring to your attention the report issued by me to the former Board of Directors under date of March 22nd, 1932, copy of which was distributed to each of the Directors and the Executive. Not one recommendation in this entire report was dealt with by the old Board. In the early part of the Trustees' regime, I was asked for a similar report, showing the activities of and all matters pertaining to the fleet. This was supplied and sent to the Chairman under date of January 29th, 1934. Similarly, not one item of this report has been acted upon as yet with the exception of the appointment of a Superintendent Engineer. The condition of the ships of the fleet which has been revealed since the appointment of this gentleman, has necessitated large expenditures of money which is reflected in the Annual Balance Sheet of 1934. This work was entirely necessary to bring the vessels to an operating standard of efficiency. For the combined fleets, the expenditure in 1935 was \$302,461.00 representing \$2.23 per deadweight ton in operation, and in 1934, \$464,000.00 representing \$3.39 per deadweight ton in operation. In other words, the cost of bringing the fleet to the proper standard of efficiency insofar as it lies within human power after what has been allowed to go on in the past, simply means practically the entire operating deficit in 1934 figures is represented by the expenditure of money in this work which would not have been necessitated had the fleet been properly taken care of in the past.

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