open to every one of these employees. Previously their horizon has been a very restricted one. The best they could hope to become would be chief clerk to a superintendent or something of that sort.

Mr. NICHOLSON: Will it be possible to transfer them without any reduction in salary?

Mr. COOPER: That is our intention. We do not intend to reduce salaries at this time.

Mr. McCULLOCH: You feel it is good business tactics?

Mr. COOPER: Yes.

The CHAIRMAN: Gentlemen, before going any further, we might consider the prospect of this committee sitting to-night.

Some Hon. MEMBERS: Oh, oh!

The CHAIRMAN: All right. I see it does not meet with the general wish. So then if you are not in favour of it, we will let it go. That is what I wanted to find out. Will you proceed, Mr. Vaughan?

Mr. VAUGHAN: Yes.

Operating Expenses.

Operating expenses totalled $237,768,000, an increase of $35,249,000 or 17·4 per cent over the preceding year. The wartime cost-of-living bonus granted to employees on lines in Canada from June 1st, 1941, cost the railway $6,108,000, of which $5,508,000 was charged to operating expenses—the remainder being charged to investment account, hotel operations and separately operated subsidiaries. Increased rates of pay granted to employees on the lines in the United States under the United States railway labour mediation agreement cost the railway $769,000, of which $701,000 was charged to operating expenses. Apart from these charges the increase in operating expenses brought about by the additional traffic was $29,040,000, so that out of every additional dollar of revenue, operating expenses absorbed 51 cents, leaving 49 cents available for taxes and fixed charges. This is considered a satisfactory relationship between increased revenue and expense. The operating ratio was 78·12 per cent, the lowest on record.

The railway and its equipment have been maintained in satisfactory operating condition. System freight car serviceability throughout the year was the highest on record, the year's index registering 96·4 per cent. The ratio of locomotives in serviceable condition was 79·6 per cent, the highest for several years. The expenditures for maintenance of way and structures was $1,708 per equated track mile, against $1,456 in 1940, and was the highest since 1930. Some difficulty in obtaining materials for repairs and renewals was beginning to make itself felt towards the close of the year.

In view of the more intensive utilization of system equipment it was thought advisable to increase the provision for depreciation. The provision made in the 1941 accounts was $13,591,000 against $11,262,000 in the preceding year.

Since the outbreak of war, and apart from the acquisition of additional rolling stock, approximately $10,000,000 has been expended on capital account for so-called war projects, involving the construction, extension or improvement of tracks, yards, spurs, sidings, shops and other railway facilities. It is recognized that the end of the war will terminate the usefulness of some portion of these facilities and that in such cases the capital expenditure involved, less salvage, should be amortized by charges to operating expenses within a reasonably short period of time in order that the net revenue account shall carry the full cost of securing the