

2. Your committee held eight meetings in the course of which the officials of the Canadian National Railways and the Trans-Canada Air Lines as well as representatives of George A. Touche & Co., auditors, were heard and examined.

3. The Annual Report of the Canadian National Railways for 1957 disclosed operating revenues of \$753,165,964 and operating expenses of \$734,556,041 resulting in a net revenue from railway operations of \$18,609,923. However, after taxes, rents, other income and fixed charges were taken into account the net result was a deficit of \$29,572,541 for the year's operations. This compares with a surplus of \$26,076,951 in the year 1956, the change being attributed to a combination of lower traffic and higher wage and material costs. Your Committee noted however that in spite of the traffic decline in 1957 the Canadian National continued to improve and modernize its equipment, facilities, methods and techniques.

4. Your Committee observed that in 1957 three separate new rail lines were added to the Canadian National System, opening up additional areas of Canada for settlement and development. In Quebec, a 161-mile line from Beattyville to Chibougamau was officially opened in November and progress made on a 133-mile line from St. Felicien to Cache Lake, where it will link up with the Beattyville-Chibougamau branch. In New Brunswick, a 23-mile line was opened between Bartibog and the base metal development at Heath Steele. In Manitoba, Canadian National took over operation of a new 31-mile line from Sipiwek on the Hudson Bay line to the International Nickel Company development at Thompson.

5. Your Committee also noted with satisfaction that progress was made during the year on the Company's long range plans for the construction of new automatic train marshalling yards at main strategic centres in the Atlantic, Central and Western Regions.

6. The Annual Report of the Canadian National (West Indies) Steamships, Limited for 1957 disclosed a net deficit of \$648,849.80, compared with a surplus of \$23,280.72 for 1956. Operations of the company were curtailed during 1957 by a strike called by the Seafarers International Union effective July 4. As a result of the strike, which remained unsettled at the year end, the number of voyages made by company vessels was reduced to 33 from 54 in the previous year.

7. Your Committee was also informed that the decision had been reached to abandon the service, dispose of the assets by sail and wind up completely the above Company's affairs.

8. The Annual Report of Trans-Canada Air Lines for 1957 showed a net surplus of \$404,674, after provision for depreciation of \$6,819,160, and the payment of interest on capital invested in the enterprise in the amount of \$1,690,819. The year 1957 was the seventh consecutive one in which the company reported a profitable operation.

9. Of particular interest to your Committee was the fact that the programme of fleet conversion to turbine type aircraft, which by 1961 is expected to make TCA the first international airline in the world to have a fully turbine-powered fleet, was adhered to during 1957, fourteen additional Viscounts being placed in service, and six DC 3's retired. Your Committee also noted that, as planned, the company in 1957 had increased its capacity by 20 per cent in relation to a 15 per cent increase in traffic carried. This action, while reducing the over-all load factor from 73.1 per cent in 1956 to 70.7 per cent in 1957, substantially improved the company's ability to meet the peak period traffic demand.