

doubtedly we make a profit out of the express, if you look upon it as an ancillary service; but if you charge the full overhead charges against the express, I would not say it would make a loss, but it would come very close to it. Now, with regard to the telegraphs, you have a slightly different condition. The railway requires an enormous amount of telegraph services to carry on its own business, and once having set that up, it has the capacity to carry on a commercial business on top of it. Carried on in that way, as a by-product, the telegraph business as a commercial telegraph business, as a by-product, is profitable; but you can see how impossible it is to segregate, for instance, the telegraph line as between railway use and commercial use. You must have a telegraph line in order to operate the railway.

Mr. PRICE: You have your own private lines for that?

Mr. FAIRWEATHER: The pole line is the same. We use the same pole line; that is, the wires on that line are partly exclusively for the railway, and partly joint for commercial and railway use and partly exclusively commercial. It is a very involved situation, really; but if you charged on a full commercial basis, you would then have to credit to your commercial telegraph operations, the value of the railway services rendered. All I can say in regard to the telegraphs is, that viewed as a by-product, our telegraph operations are, naturally, profitable, or we would not be engaged in them.

Hon. Mr. EULER: Don't you make a definite charge for your services to the railway?

Mr. FAIRWEATHER: No; the way we carry that is the expenses of train despatching services and things of that character, operations peculiar to the railway, go into the telegraph expenses of the Canadian National Railways, but against that is credited the commercial revenue.

Hon. Mr. EULER: No revenue is obtained from the railway?

Mr. FAIRWEATHER: No revenue is charged; we do not do that. We do not set up an inter-corporate account of revenue where we would say to the telegraph company, you perform so much service, and therefore, you bill us with that service and we will pay it. All we say to them is, we will pay your expenses, and you give us the services we need.

Hon. Mr. EULER: Do you mean to say the expenses of carrying the telegraph end of the business is charged against the railway, or paid by the railway?

Mr. FAIRWEATHER: They are all in our operating expenses, both revenue and expenses.

Hon. Mr. EULER: For the railways?

Mr. FAIRWEATHER: Both revenue and expenses. It is included in our gross revenue, just the same as passenger fares and the expenses are included in our expense accounts.

Mr. GEARY: In regard to the express end of the business, is not this what happens—I am not very clear on it, but I think this is right—you charge the express car for part of the train haul so much a train mile; you charge for the use of the conductor on the passenger train that carries the express car; you charge for the use of the station, and so on, and you arrive at a loss, or at least, I judge you do, because you asked for an increase of rates.

Mr. FAIRWEATHER: You see sir, the point there is that in setting up a charge for what we call express privileges, for the purposes of rate control and things like that, we naturally would charge against the express, the overhead charges, otherwise we would be setting up a very false position; but when you ask me whether the express is profitable or not, I say I cannot view the express except as part of the railway. It might be put this way, we either have an express or we have no express, as between those two pictures, the having of an