

a proviso that during a period of nine months following October 1st, 1951 railroad workers might be required to work longer hours at normal rates); the establishment, effective October 1st, 1951, of an automatic increase or decrease of 2/3¢ per hour for each fluctuation of 1 percent in the cost-of-living index; a revision of the rules and conditions of work applicable to railway workers; hotel and steamship employees not to be included in the offer.

The most recent proposal advanced by the unions involved an increase of 5¢ an hour; the establishment of a 40-hour week beginning September 1st, 1951; automatic adjustments in wages of 1¢ per point change in the cost-of-living index, such adjustments to be made every six months; and the inclusion of hotel and steamship employees in any contract respecting wages and hours of work.

The unions had requested a one year's contract, whereas the railways preferred to have a contract on a three-year basis.

2. Mr. St-Laurent said the mediator had reported that the cost-of-living index feature had been introduced by the railways in the hope that this would encourage the unions to accept a three-year contract. The railways felt further that, since adjustments in wages would be automatically linked with fluctuations in the cost-of-living index, this might minimize the possibility of renewed demands by the unions in the future.

3. The Minister of Finance was of opinion that it was unfortunate that the principle of automatic adjustments based on the cost-of-living index had been introduced. If this principle were accepted it would establish a precedent which might cause serious difficulties in the future.

4. The Secretary pointed out that the cost-of-living index was a descriptive one which included, as integral components, excise and other taxes. If, for instance, it were felt desirable as an anti-inflationary measure, to increase the excise tax on any staple, this increase would immediately be reflected in the cost-of-living index and thus would defeat, partially at least, the purpose for which the tax had been imposed. Further consideration might be given to the possibility of altering the basis on which the index was calculated, in order to delete

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