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Canada. Parl. H of C. Stand-
ing Comm.on Railways and
Shipping Owned, Operated and
Controlled by the Gov't,1939.
Minutes of proceedings and
evidence.

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Canada. Parl. H of C. Standing
Comm.on Railways and Shipping
Owned, Operated and Contr'd.by
the Gov't.,1939.

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SESSION 1939
HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

WEDNESDAY, APRIL 5, 1939

TUESDAY, APRIL 18, 1939

WITNESSES

- Mr. S. J. Hungerford, President.
- Mr. S. W. Fairweather, Chief of Research and Development.
- Mr. T. H. Cooper, Comptroller.
- Mr. W. M. Armstrong, Assistant Director, Bureau of Economics.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1939

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MEMBERS OF THE COMMITTEE

Sir EUGENE FISET, *Chairman*

Messieurs:

Barber,	Howe,
Bothwell	Kinley,
Cameron,	Lockhart,
Deachman,	McKinnon (<i>Kenora-Rainy River</i>),
Elliott (<i>Kindersley</i>),	Maybank,
Emmerson,	Parent (<i>Quebec West and South</i>),
Ferland,	Ross (<i>Middlesex East</i>),
Hanson,	Stewart,
Heaps,	Vien,
Howard,	Walsh,
Howden,	Young.

JOHN T. DUN,

Clerk of the Committee.

ORDER OF REFERENCE

HOUSE OF COMMONS

MONDAY, April 3, 1939.

Resolved,—That standing order 63 of the House of Commons, relating to the appointment of standing committees of the House, be amended by adding to the standing committees of the House for the present session a standing committee on railways and shipping owned, operated and controlled by the Government, to which will be referred accounts and estimates and bills relating thereto of the Canadian National Railways, the Canadian National (West Indies) Steamships, and Trans-Canada Air Lines for the present session, for consideration and report to the House; provided however that nothing in the resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said committee consist of: Messrs. Barber, Bothwell, Deachman, Elliott (Kindersley), Emmerson, Ferland, Fiset (Sir Eugène), Fraser, Hanson, Heaps, Howard, Howden, Howe, Kinley, Lockhart, McKinnon (Kenora-Rainy River), Maybank, Parent (Quebec West and South), Ross (Middlesex East), Stewart, Vien, Walsh, Young.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, January 27, 1939.

Ordered,—That the Standing Committee on Railways and Shipping owned, operated and controlled by the Government, be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, March 31, 1939.

Ordered,—That Vote No. 588 of the Special Supplementary Estimates for the year ending March 31, 1940, presented to the House this day, be referred to the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, April 4, 1939.

Ordered,—That the annual budget of the Canadian National Railways and Canadian National Steamships, tabled this day, and the annual reports laid on the Table of the House on March 30, 1939, as follows:—

Annual Report of the Canadian National Railways System, for the year ended December 31, 1938.

Annual Report of the Canadian National (West Indies) Steamships Limited, for the year ended December 31, 1938.

Annual Report of the Directors of the Trans-Canada Air Lines, for the year ended December 31, 1938.

Annual Report of the Canadian National Railways Securities Trust, for the year ended December 31, 1938.

Report of the firm of George A. Touche and Company, Auditors of the Accounts of the Canadian National Railways System for the year ended December 31, 1938,

be referred to the said committee, together with the following votes:—

442—Maritime Freight Rates Act, Canadian National Railways Eastern Lines—\$2,000,000;

443—Maritime Freight Rates Act, railways other than Canadian National Railways—\$800,000;

454—Canadian National (West Indies) Steamships Limited, capital advance—\$20,000;

from Main Estimates for the fiscal year ending March 31, 1940, as tabled on January 27, 1939; also

588—Canadian National Railway Company—\$43,750,000;

589—Prince Edward Island Car Ferry and Terminals—\$327,000;

590—Trans-Canada Air Lines—\$488,941;

from the Special Supplementary Estimates for the fiscal year ending March 31, 1940, tabled March 31, 1939.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, April 5, 1939.

Ordered,—That the name of Mr. Cameron be substituted for that of Mr. Fraser on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, April 5, 1939.

Ordered,—That the said Committee be empowered to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

Ordered,—That the said Committee be empowered to sit while the House is sitting.

Ordered,—That the quorum of the said Committee be reduced from 12 members to 8 members.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

WEDNESDAY, April 5, 1939.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, begs leave to present the following as a

FIRST REPORT

Your Committee recommends,—

1. That it be empowered to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.
2. That it be empowered to sit while the House is sitting.
3. That the quorum of the committee be reduced from 12 members to 8 members.

All of which is respectfully submitted.

EUGÈNE FISET,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, April 5, 1939.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met for organization at 11 a.m.

Members present: Messrs. Barber, Bothwell, Elliott (*Kindersley*), Emmer-son, Sir Eugène Fiset, Hanson, Heaps, Howard, Howe, Kinley, McKinnon (*Kenora-Rainy River*), Ross (*Middlesex East*), Stewart, Vien.

On motion of Mr. Ross (*Middlesex East*),—

Resolved,—That Sir Eugène Fiset be Chairman.
Sir Eugène Fiset took the Chair.

On motion of Mr. Ross (*Middlesex East*),—

Resolved,—That the Committee request permission to sit while the House is sitting.

On motion of Mr. Bothwell,—

Resolved,—That the Committee request permission to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order No. 64 be suspended in relation thereto.

On motion of Mr. Howard,—

Resolved,—that the Committee recommend that the quorum be reduced from 12 members to 8 members.

Mr. Stewart, for Mr. Walsh, submitted three requests for information, viz:—

1. On page 55 of the minutes of Standing Committee on Railways and Shipping, Wednesday, April 27, 1938, we have a statement in answer to a previous by myself, covering detail of hotel operation. I would like to have filed and entered in minutes of this year a similar statement covering calendar year 1938.
2. Condensed Income Statement, including Profit and Loss, of the Canadian National Steamships (Pacific Coast) for the years 1937 and 1938, similar to statement for the year 1936, filed with the Standing Committee on Railways and Shipping, March 23, 1937, and appearing on page 225 of the printed proceedings for that year.
3. A statement showing for each year 1932 to 1938 inclusive, Freight Service and Passenger Service, (a) Revenues, (b) Expenses, (c) Net Operation, (d) Ration Revenues to Expenses. Also Capital Investment in freight train cars and passenger train cars.

Ordered,—That these three requests be forwarded to Mr. S. J. Hungerford, President, for reply.

The Committee adjourned until Tuesday April 18, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

TUESDAY, April 18, 1939.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Sir Eugène Fiset, the Chairman, presided.

Members present: Messrs. Barber, Bothwell, Cameron, Deachman, Elliott (*Kindersley*), Emmerson, Ferland, Fiset (Sir Eugène), Hanson, Howden, Howe, Kinley, Lockhart, McKinnon (*Kenora-Rainy River*), Maybank, Ross (*Middlesex East*), Stewart, Vien, Walsh, Young—20.

In attendance: Mr. S. J. Hungerford, President; Mr. S. W. Fairweather, Chief of Research and Development; Mr. T. H. Cooper, Comptroller; Mr. W. M. Armstrong, Assistant Director, Bureau of Economics, Canadian National Railways; Col. V. I. Smart, Deputy Minister of Transport.

The Annual Report of the Canadian National Railway System for the year ending December 31, 1938, was read by Mr. W. M. Armstrong, and the Committee commenced consideration thereof.

Supplementary to the said Annual Report, Mr. S. W. Fairweather read a report respecting the new Montreal Terminal, on which he was questioned.

Mr. S. J. Hungerford and Mr. T. H. Cooper replied to a few questions.

Replies were filed by Mr. Fairweather to questions asked by Mr. Walsh at the first meeting of the Committee.

The Committee adjourned at 1 p.m. until 4 p.m. this day.

The Committee resumed at 4 p.m. Sir Eugène Fiset, the Chairman, presided.

Members present: Messrs. Barber, Cameron, Deachman, Elliott (*Kindersley*), Emmerson, Ferland, Fiset (Sir Eugène), Hanson, Howden, Howe, Kinley, Lockhart, McKinnon (*Kenora-Rainy River*), Maybank, Stewart, Vien, Walsh, Young—18.

In attendance: Officials who were at this morning's meeting.

The Committee resumed consideration of the 1938 Annual Report of the Canadian National Railway System.

Explanations were given and discussions took place respecting accounting practice relative to sale of steamships, railway maintenance costs, abandonment of branch lines, Vancouver Hotel, Transcona shops, pension funds, pooling of passenger trains, cartage service, Montreal terminal.

At 6 p.m. the Committee adjourned until to-morrow at 4 p.m.

JOHN DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

ROOM 277,

April 18, 1939.

The Standing Committee on Railways and Shipping met at 11 o'clock. The chairman, Sir Eugène Fiset, presided.

The CHAIRMAN: Gentlemen, as you know we reduced our quorum to eight at our last meeting, and as we have a full quorum now I should like to ascertain if it is the desire of the members of the committee to have the order of reference read. It is a long document and we all know what it is. I do not think it will be necessary to read it.

HON. MEMBERS: No.

The CHAIRMAN: We shall then start with the annual report of the Canadian National Railways. The report of the president will be read by Mr. Armstrong.

Mr. ARMSTRONG: (Reads):

CANADIAN NATIONAL RAILWAYS

MONTREAL, March 20, 1939.

The Honourable C. D. HOWE, M.P.,
Minister of Transport,
Ottawa.

SIR,—In conformity with sections 14 and 15 of *The Canadian National-Canadian Pacific Act, 1936*, the Board of Directors submits the following report of the operations of the Canadian National Railways for the calendar year 1938.

RESULT OF OPERATIONS

	1938	1937	Increase or Decrease
Operating revenues	\$182,241,722 93	\$198,396,608 61	\$16,154,885 68
Operating expenses	176,175,311 78	180,788,858 09	4,613,546 31
Net operating revenue	\$ 6,066,411 15	\$ 17,607,750 52	\$11,541,339 37
Operating ratio	96.67%	91.12%	
Net of other income and profit and loss requirements	\$ 9,615,459 68	\$ 9,320,522 24	294,937 44
Net available for interest	\$ 3,549,048 53	\$ 8,287,228 28	\$11,836,276 81
Interest on funded debt held by public	49,839,022 58	48,888,545 56	950,477 02
Interest on government loans	926,124 86	1,744,550 71	818,425 85
Cash deficit	\$ 54,314,195 97	\$ 42,345,867 99	\$11,968,327 98

Operating Revenues

The decline in general business activity in the latter part of 1937, as referred to in the report for that year, continued throughout the greater part of 1938 with its inevitable reaction on railway revenues. The effect was most marked on the lines of the Company in the United States, the revenues of which declined 23% as compared with a decline of 5% on the lines in Canada, the latter in turn being adversely affected by a decrease in international traffic.

Gross operating revenues totalled \$182,241,723, a decrease of \$16,154,886, or 8.14%, from the preceding year. During the first nine months of the year the reduction was \$15,737,865, and in the last quarter, \$417,021, indicating the traffic trend during the year. The increased grain movement contributed to check the decline in revenue in the last quarter.

Freight revenues decreased by \$14,026,556, or 9.1%. A statement of revenue tonnage appears on pages 24 and 25. System grain tonnage increased by 1,446,850 tons, or 40.5%. There were no major freight rate changes during the year in Canada. In the United States the Interstate Commerce Commission authorized a general increase in freight rates of approximately 7%, effective March 28, 1938. The Board of Transport Commissioners for Canada authorized the application of these increases in connection with international traffic.

Passenger revenues decreased by \$847,918, or 4.5%. In Canada coach excursion rates were increased by 25% during the year and in the United States coach class mileage rates were increased from 2 cents to 2.5 cents per mile in the eastern territory, this latter change also affecting certain Canadian rates.

Express revenue decreased \$535,280, or 5.7%; Commercial Telegraph revenue decreased \$411,981, or 8.4%; Switching revenue decreased \$432,562, or 17.6%.

Operating Expenses

The operating expenses for the year totalled \$176,175,312. This is a decrease of \$4,613,546 or 2.55% as compared with 1937. A summary of operating expenses will be found on page 14 and details on pages 15 to 17.

The decrease in expenses was effected notwithstanding increases in wage costs due to the restoration of basic wages in Canada and to wage increases in the United States, reference to which was made in the 1937 report. These wage increases affected the 1938 expenses as compared with 1937 by \$6,082,000. Another factor affecting the expenses was an increase in the price of materials, which amounted to \$900,000. Apart from these features, there was a reduction in operating expenses of \$11,600,000 as compared with the previous year. This was effected by a policy of holding operating expenses to a minimum, consistent with efficiency of operation and the provision of needed services.

During the first quarter of the year motive power and car shops were operated on a basis which would ensure an adequate supply of serviceable equipment to meet anticipated heavier transportation needs, particularly in connection with Western grain traffic. Subsequently, and concurrently with the decline which developed in Eastern and International traffic, maintenance of equipment forces throughout the system were reduced approximately 25%.

While maintenance expenses have been kept to a minimum, the property and equipment is in good condition having regard to the volume of business to be handled.

Net of Other Income and Profit and Loss Requirements

The accounts under this group increased \$294,937 over 1937.

Taxes amounted to \$6,946,873 compared with \$6,697,242 in 1937. These figures are exclusive of sales tax added to the cost of materials, which amounted to \$3,150,000 as compared with \$4,200,000 in 1937.

The revenues from hotel operations increased \$98,875 over 1937, and after meeting operating expenses and taxes the net operating income was \$226,014, an increase of \$25,927 over 1937.

Net equipment rentals payable by the company decreased \$575,000.

Loss on sale of the ss. *Prince Henry* applicable to the expired service life of the vessel charged to income in 1938 amounted to \$668,195.

The cost of exchange increased \$493,000 over 1937.

Interest Charges

The total requirements for interest on funded debt held by the public in 1938 were \$49,839,023, as compared with \$48,888,546 for 1937, an increase of \$950,477.

Interest payments to the Government on temporary loans for capital purposes amounted to \$926,125, as compared with \$1,744,551 for 1937, a decrease of \$818,426.

The changes reflect the financing during the year which had for its object the refunding by public issues of Government temporary loans for capital purposes.

Cash Deficit

The net operating revenue for the year 1938 was \$6,066,411, a decrease of \$11,541,339 from the preceding year. After payment of all other charges, excepting charges to Proprietor's Equity under the provisions of The Canadian National Railways Capital Revision Act, 1937, as outlined on page 12, there was a deficit of \$54,314,196 as compared with \$42,345,868 in 1937.

CAPITAL EXPENDITURE ACCOUNT

The net expenditures on property investment account for the year 1938 amounted to \$10,798,792 made up as follows:

Rolling stock purchased or built	\$11,233,216
Betterments to freight and passenger equipment.	837,062
Air-conditioning passenger cars.	761,659
Senneterre-Rouyn branch line	2,064,924
Vancouver hotel	963,149
General additions and betterments, less retirements	2,734,764
Equipment retirements—Credit	7,795,982
	<hr/>
	\$10,798,792

The Senneterre-Rouyn branch line authorized by chapter 26, 1936 was formally opened for operation on December 3, 1938. It is anticipated that the opening of direct railway transportation to this rich mineralized section will be an important factor in further development of the area. As shown above \$2,064,924 was spent during the year, the total cost to December 31, 1938, being \$5,315,134.

The following rolling stock was purchased or built during the year: 8 locomotives; 2,310 box cars; 25 coal cars; 61 baggage cars; 6 dining cars; 5 mail and express cars; 1 buffet sleeping car; 26 snow ploughs; and 11 miscellaneous work units.

The following units of rolling stock were retired during the year: 50 locomotives; 5,383 freight train cars; 8 passenger train cars; and 300 work units. The cost of this equipment, less salvage (and less depreciation on units owned by United States Lines) was charged to operating expenses.

During the year 1938, 148 additional air-conditioned units were placed in service, the total number of such units at December 31, 1938, being 401. The program for the year 1939 provides for an additional 92 units. Air-conditioned cars operated by the Pullman Company over Canadian National lines number 52.

FINANCE

Retirement of Obligations

Expenditures for the retirement of capital obligations, including sinking fund and equipment principal payments, amounted to \$9,035,275, which was financed from temporary loans from the Government.

New Issues

Under authority of the Canadian National Railways Refunding Act, 1935, and the Financing and Guarantee Act, 1937, an issue of Canadian National Railway Company Dominion Guaranteed Bonds was made dated December 15, 1937, and January 15, 1938, the proceeds therefrom being used to retire temporary loans for capital purposes made by the Government during the years 1932 to 1937. The entire issue was sold in January, 1938. The issue comprised:—

- \$20,000,000 2 per cent four-year bonds dated January 15, 1938; sold at 99 per cent at an annual cost of 2·26 per cent.
- \$30,000,000 3 per cent thirteen-year bonds dated December 15, 1937; sold at 96·25 per cent at an annual cost of 3·36 per cent.

An issue of \$7,600,000 Canadian National Railways 2½ per cent Equipment Trust Certificates, Series "P" 1938 was made to provide for the payment of part of the purchase price of new equipment costing over \$10,000,000. The certificates, which mature serially in fifteen annual instalments, were sold at an average of 97·81 per cent the annual cost being 3·08 per cent.

1938 Refunding Act

Under the provisions of the Canadian National Railways Refunding Act, 1938, temporary loans were received from the Dominion Government for retirement of the following issues:—

Rail & River Coal Company 5% First Mortgage Bonds due April 1, 1938	\$ 916,000
Canadian National Railway Company 2% 3 Year Bonds due May 1, 1938	13,400,000
Canadian Northern Ontario Ry. Co. 3½% Debenture Stock due June 30, 1938	6,725,485
	\$21,041,485

These temporary loans were repaid to the Government from the proceeds of a 2¼ per cent and 3 per cent Bond Issue dated January 15, 1939.

GENERAL

Pension and Social Security Plans

The total number of pensioners at December 31, 1938, under Canadian National pension plans totalled 6,913 as compared with 6,287 at December 31, 1937. Employees pensioned during the year numbered 991 and 365 pensioners died. Pension costs to the railway under the various pension plans in effect were \$4,159,798 in 1938 as compared with \$3,993,734 in 1937.

Under the United States Railroad Retirement Act and the Carriers' Taxing Act the tax payable (equal to 2¾ per cent of employees' compensation) in respect of system operations in the United States for the year 1938 amounted to \$461,000 as compared with \$515,000 in 1937.

The cost to the National System under United States Federal and State legislation dealing with unemployment insurance and old age benefits other than covered by the Railroad Retirement Plan amounted to \$595,000 in 1938 as compared with \$459,000 in 1937.

Trans-Canada Air Lines

During the year additional calls aggregating 47 per cent or \$2,350,000 on the capital stock (\$5,000,000) of Trans-Canada Air Lines were met by the Canadian National Railway Company. To December 31, 1938, the amount subscribed was \$3,200,000.

Unemployment Relief Expenditures

Under the Dominion Government Work Relief Program whereby among other things provision was made for financing of necessary construction with respect to highway crossing protection and other railway projects deferred under present conditions, several projects were undertaken by the Company wholly or partly at the expense of the Government. The more important of these projects involved subway construction at Montreal, St. Hyacinthe and Toronto, an overhead bridge at Prince Albert and a new station at Saskatoon.

Cartage Service

Effective February 1, 1938, the Company commenced operation of its own freight cartage services at Montreal and St. Hyacinthe, Que., and Brantford, Guelph and London, Ont., these services having previously been operated by outside contractors. This change has been well received by the shipping public and has resulted in economies.

Montreal Terminals

During the year a study was made of the Montreal Terminal project, work on which had been suspended for some years.

In such study the directors gave consideration to the following factors:—

- (a) The necessity for rational co-ordination of passenger and freight terminals of the Canadian National in the interests of efficiency and economy.
- (b) The adverse effect, financial and otherwise, upon the operations of the company through the continued use and maintenance of antiquated and unco-ordinated terminal facilities inherited from predecessor companies.
- (c) The long-standing grade crossing problem in Montreal.
- (d) The effect upon the development and growth of the city, industrially and otherwise.
- (e) The provision of a satisfactory suburban service between South Shore communities and the centre of the city.
- (f) The amount of money already invested in the property standing idle.
- (g) The necessary developments in the light of present day conditions and requirements as well as future necessities, including eventually, if decided upon, a union terminal.
- (h) The pre-eminent suitability of the location of the central station for a union terminal demonstrated by exhaustive study of the situation by the company's engineers as well as by a special independent study made by Sir Frederick Palmer, M. Inst. C.E., M.Am. Soc. C.E., who was engaged by the Dominion Government for the purpose.

The Directors therefore decided that the company should proceed with the completion of the terminal by stages as conditions warrant, taking advantage of any favourable factors which may from time to time prevail for doing work which contributes to the eventual completion.

The Dominion Government has recognized the importance of this project as a means of relieving unemployment and has contributed to the cost of the work a portion of the funds voted by Parliament in its construction and rehabilitation appropriation, and tenders have been called and contracts placed for the construction of certain items of the work. Further progress is contingent upon the project being assisted as an unemployment relief measure to the extent of the direct labour content of the work performed.

Co-operation

With a view to expediting progress on co-operative measures between the Canadian National and the Canadian Pacific Railways a new committee termed the Vice Presidents' Joint Committee was formed during the year, consisting of Messrs. N. B. Walton, R. C. Vaughan and Alistair Fraser for the Canadian National and Messrs. D. C. Coleman, George Stephen and H. J. Humphrey for the Canadian Pacific.

The Canadian National section of the committee has made certain proposals looking to further co-operative measures including amongst others a proposal for the pooling of all competitive passenger traffic throughout the Dominion.

It has been agreed that subject to approval of the Board of Transport Commissioners the following additional lines of railway should be abandoned:

From	To	Province	Railway	Mileage
Arnprior	Eganville	Ontario	Can. Nat.	37.91
Portage La Prairie	Delta	Manitoba	Can. Nat.	14.53
Oakland	Cawdor	Manitoba	Can. Nat.	11.55
Muir	Gladstone	Manitoba	Can. Nat.	10.30
McGregor	Varco	Manitoba	Can. Pac.	54.41
Hallboro	Beaulah	Manitoba	Can. Nat.	75.19
Hamiota	Miniota	Manitoba	Can. Pac.	19.80
Trelle	Morinville	Alberta	Can. Nat.	12.21
Carbondale	Egremont	Alberta	N. A. Rys.	29.76

With regard to the 637 miles previously approved for abandonment, progress has been made in the development of the necessary agreements between the two railways. In the case of the Canadian National line between Middleton and Bridgetown in Nova Scotia and the Canadian Pacific line between Linwood and Listowel in Ontario, with respect to which agreements have been executed, applications for approval of the abandonments have been made to the Board of Transport Commissioners, but decisions have not yet been given by that body.

Vancouver Hotel

The agreement covering the joint operation of the new Canadian National hotel at Vancouver was completed on July 28, 1938. The Vancouver Hotel Company Limited was incorporated under date of October 4, 1938, with an authorized capital stock of \$500,000, to be held in equal portions by the Canadian Pacific and Canadian National. The opening date of the new hotel, which will be known at the "Hotel Vancouver," has been set for May 25, 1939.

Property Abandonments

With a view to accomplishing economies in operation wherever compatible with adequate service to the public, examinations were continued into the possibility of abandonment of light traffic branch lines. During the year 1938 authority for abandonment was received from the Board of Transport Commissioners for the following lines:

From	To	Province	Mileage
Dombourg	St. Marc.	Quebec	22.25
La Jemerai	Mont Mills	Quebec	6.04
Farnham	Frelighsburg	Quebec	17.90
Twin City Junction	Mackies	Ontario	35.40
James Bay Junction	Otter Lake	Ontario	2.86

In addition to the foregoing, authority was given by the Interstate Commerce Commission to abandon 25.76 miles from Cambridge Junction to Essex Junction in the State of Vermont, forming part of the Central Vermont Railway.

General Outlook

The reduction in railway revenues for 1938 marks the first set-back from the slow but steady annual increase since 1933.

The situation in 1938 was not peculiar to Canada. In the United States the railroads suffered one of the worst years in the history of transportation. In Great Britain the slump in railway revenues gave much concern to railway management in that country and was the subject of appeal to the British Minister of Transport with particular reference to necessity for equality in competition in the transportation field.

While the decline in business in 1938 was a continuance of the general recession which started in the latter part of 1937, the prospects for 1939 are more favourable since there is indication that the improvement in conditions experienced late in 1938 will continue. The influence of the present improvement in the United States will also be felt by the Canadian National Railways.

OBITUARY

Record is made with deep regret of the following deaths during 1938: Hon. C. P. Fullerton, K.C., former Chairman of the Board of Trustees, died October 5, 1938; Mr. D. B. Hanna, first President of the Canadian National Railways, died December 1, 1938.

Acknowledgment is made of the loyal and efficient service rendered by officers and employees and of the patronage extended to the Canadian National Railways by the public during the year 1938.

For the Board of Directors,

S. J. HUNGERFORD,
Chairman.

The CHAIRMAN: Gentlemen, before proceeding with the discussion of the report the management have a special statement prepared on the Montreal terminal which they want to place on record. I should like to hear that report read before we start the discussion. Mr. Fairweather will present this report.

Mr. S. W. FAIRWEATHER: Mr. Chairman and gentlemen, this memorandum is an elaboration in more detail of the reference to the Montreal terminals which is included in the annual report. It goes into considerable detail, but that detail is necessary for a proper understanding of the situation. I shall read you the statement:—

STATEMENT OF CANADIAN NATIONAL POSITION WITH REGARD TO THE MONTREAL TERMINALS

Following upon a careful study of all factors, the Canadian National board of directors decided to resume work on the Montreal project of the railway, but on a substantially modified plan. The study made showed that while passenger operating savings alone would not give an adequate return on the investment immediately, the segregation of the passenger terminals and coach yards made possible future adjustment of separate freight handling facilities which would justify the expenditures involved and to be involved. Added to this were the practical necessity of dealing with an aggravated situation of four passenger terminal stations on one system conducted and operated with little relation to each other, public service and convenience, grade crossing and congestion atrocities, the future of the city, growth of traffic and other important collateral considerations.

As to the necessity of the work being undertaken in the near future there could be no question; and the undertaking of the work at this time made possible a saving in cost of approximately 40 per cent, which is to be defrayed as an unemployment project and not chargeable to the company.

The factors studied by the board of directors were as follows:—

(A) The necessity for rational co-ordination of passenger and freight terminals of the Canadian National in the interests of efficiency and economy.

(B) The adverse effect, financial and otherwise, upon the operations of the company through the continual use and maintenance of antiquated and unco-ordinated terminal facilities inherited from predecessor companies.

(C) The long-standing grade crossing problem in Montreal.

(D) The effect upon the development and growth of the city, industrially and otherwise.

(E) The provision of a satisfactory suburban service between South Shore communities and the centre of the city.

(F) The amount of money already invested in the property standing idle.

(G) The necessary developments in the light of present day conditions and requirements as well as future necessities, including eventually, if decided upon, a union terminal.

(H) The pre-eminent suitability of the location of the central station for a union terminal demonstrated by exhaustive study of the situation by the company's engineers as well as by a special independent study made by Sir Frederick Palmer, M.Inst.C.E., M.Am.Soc.C.E., who was engaged by the Dominion Government for the purpose.

A synopsis of the consideration which was given to each of these factors is as follows:—

(A) *The necessity for rational co-ordination of passenger and freight terminals by the Canadian National in the interests of efficiency and economy.*

The terminal facilities of the Canadian National Railways on the Island of Montreal consist of those of the former Grand Trunk Railway and of the Canadian Northern Railway. These facilities have not been added to nor have they been changed except to a minor degree since the incorporation of the Canadian National Railway Company in 1919. Neither the Grand Trunk nor the Canadian Northern considered its terminal facilities adequate for its business and each had terminal development plans either under contemplation or under construction when the companies came under the control of the government. The rational co-ordination of the passenger and freight terminals in the interests of efficiency and economy has not been brought about.

The terminal facilities, to which reference is made, consist of various lines of railway which converge on Montreal and the freight and passenger facilities consisting of passenger depots, coach yards for storing, cleaning and otherwise servicing passenger train equipment, freight yards for the accommodation of freight trains, assembling of cars into trains, classification of cars for switching to industries, provision for storage and repair of cars, engine houses and freight sheds for handling inbound and outbound less-than-carload traffic, as well as team tracks and many other facilities which are necessary in a complicated terminal of a large city.

Now, gentlemen, we have available a map which shows the general situation in Montreal, and I would ask Mr. Armstrong to briefly run over the situation there with a pointer so that we may have an understanding of just where the Montreal terminal problem is. In the first place, you will notice that the approaches of the Canadian National Railways to Montreal consist of lines which concentrate at the end of the Victoria bridge. Those lines are the main lines to the Maritime Provinces, the main line to Boston and New York, and a line serving the segment which lies between the St. Lawrence river and the Richelieu river. Coming in from the west you have the main line of the Canadian National which crosses the island at Ste. Anne's. That is the red line.

Mr. YOUNG: What is the purple line?

Mr. FAIRWEATHER: That is the Canadian Pacific railway. Then on the north of the island you will see two lines which cross what is known as the Back river. There is the Canadian National line into the Laurentians, which furnishes also a connection to Hawkesburg and Ottawa. The other line crosses the river at Bout de L'Ile and comes in at the east end of the city. Then there is the electric line which crosses the Victoria bridge and serves the suburban and urban territory on the south shore of the St. Lawrence, reaching a terminus at the foot of McGill street.

Mr. YOUNG: What line was that originally?

Mr. FAIRWEATHER: The Montreal and Southern Counties Railway. Now, the remarkable thing about those lines when you look at them is this, that they approach the city from each quarter of the compass—north, south, east and west—and the other remarkable thing about them is that when they reach the city they fail to be co-ordinated. I will ask Mr. Armstrong to point out Bonaventure station on the map; and Moreau street; the tunnel terminal and McGill street. Each of those stations in the metropolitan area is independent of the other and has to be served as an independent unit. They constitute, together with the freight facilities which go along with the passenger facilities, the Canadian National terminal problem in Montreal.

With regard to the freight yards, I might point out that there is a yard at Point St. Charles; there is another yard at Turcot; and there is a yard at Longue Pointe. Now, Turcot yard and Point St. Charles yard are connected by the main line of the C.N.R., but each of them is inadequate for the business that is being done there. Longue Pointe yard in the east end of the city has no connection by Canadian National rails with the facilities at the west side of the city unless you go clear out to Joliette and come away round back into the city the other way, a distance of 108 miles. As a temporary measure, for a considerable number of years now, the Canadian National reaches those facilities in the east end by an interchange across the harbour belt railway, and this works reasonably well, but in periods of congested traffic when the harbour is busy it does not make a satisfactory connection.

That brief sketch regarding the map will give you some background of what the Montreal terminal problem consists, namely, the co-ordination of four disconnected passenger facilities and the adaptation and improvement of freight facilities, so that taking the Montreal facilities which were inherited from predecessor companies, they could be consolidated into one unit, capable of being operated effectively as a unit.

The following is a tabulation of the principal elements which comprise the existing Canadian National terminals:—

RAILWAY LINES CONVERGING ON MONTREAL

South of St. Lawrence River	
Subdivision	Route from
Rouses Point & Massena	St. Johns, Que., New York, Boston, Massena.
St. Hyacinthe	Maritime Provinces, Sherbrooke, Quebec, Portland, Maine.
Sorel	Sorel, St. Gregoire.
M. & S.C. Ry.	St. Cesaire, Granby.
M. & S.C. Ry.	St. Lambert, Montreal South.
North of St. Lawrence River	
Subdivision	Route from
Cornwall	Ottawa, Toronto and West.
Mount Royal	Laurentian Mountains, Hawkesbury, Ottawa.
L'Assomption	Quebec, Lake St. John, Noranda, etc.
Passenger Stations	Coach Yards
Bonaventure (Terminal)	St. Henri.
Tunnel Terminal	Longue Pointe.
Moreau St. (St. Cath. East) (Terminal)	St. Lambert (M. & S.C.).
McGill St. (M. & S.C.) (Terminal)	Tunnel Terminal.
St. Henri	
Point St. Charles	
Freight Sheds	Freight Yards
Bonaventure	Turcot
Fruit Terminal (Guy St.)	Point St. Charles.
St. Henri	Longue Pointe.
Moreau Street	Southwark (Not in use).
Point St. Charles	
Cote St. Paul	
Engine Houses	Principal Team-Tracks
Turcot	Charlebois St. (Bonaventure).
Longue Pointe	Cote St. Paul
Val Royal (Elec. Shop)	Gilmour (St. Henri).
St. Lambert (M. & S.C. Car House)	McGill Street.
	Wards (Atwater Avenue).
	Moreau Street.
	Cartierville.

There are numerous other locations where freight is loaded and unloaded on C.N.R. team tracks.

This table gives some indication of the disjointed nature of the Montreal terminals, which can be readily understood from the history of the predecessor companies. Certainly if the Montreal terminals had developed as a unit, this condition of affairs would not now exist. For a full realization of the disjointed nature of the facilities it is necessary to refer to the terminal layout in detail. It will be seen that the facilities lying in the north of the city and which are connected by the tunnel under Mount Royal with the Lagauchetiere street station, depend, for a connection with the facilities in the west end of the city, on a single track line of railway.

That is a line known as the Lachine, Jacques Cartier, Maisonneuve railway. It is available for freight purposes and is valuable; but it is a single track line and is subject to congestion.

The facilities lying in the east end of the city have no terminal connection with the facilities in the north or the facilities in the west. Only between the south and west is there a co-ordination of facilities and even in those quarters the Montreal and Southern Counties Railway remains unco-ordinated with other facilities.

This condition of affairs makes it necessary, in effect, to carry on three steam railway operations and one electric operation, and is apparent to the travelling public because it is well known that Bonaventure station, Lagauchetiere street station, Moreau street station and McGill street station are all as distinct as if they were operated by different railways.

A similar condition, which is not so apparent to the travelling public, exists as regards freight traffic and, from the railway operating standpoint, is an even greater handicap. The disjointed nature of the facilities causes a considerable duplication of effort and limits the freedom with which traffic can move in and out of the various lines which converge on Montreal. It is true that an arrangement is in effect for the National Harbours Board to transfer cars to and from the Canadian National facilities in the east end of the city, but this arrangement has been found to lead to considerable delay during the season of navigation when the harbour facilities are being utilized practically to capacity. While it is possible for the company to operate with these disjointed facilities, it is only plain common sense to plan for the co-ordination of them into a rational and coherent unit. Economies would be effected by such a co-ordination and there would be a general improvement as the result of the increased efficiency with which terminal operations would be conducted.

(B) *The adverse effect, financial and otherwise, upon the operations of the company through the continued use and maintenance of antiquated and unco-ordinated terminal facilities inherited from predecessor companies.*

The operating disabilities which arise from the disjointed terminal facilities undoubtedly have an adverse effect upon the company's operations, not only as regards the cost of handling existing traffic, but also due to the adverse effect upon the company's ability to obtain prospective traffic by reason of ancient and unco-ordinated facilities. Certain of the facilities are suffering not only from lack of co-ordination, but also from being obsolete. This is very evident to the public in the main passenger station at Bonaventure, which is no credit either to the railway company or to the city. The continued operation of such an inadequate and obsolete passenger station undoubtedly has an effect upon the passenger traffic of the railway.

Joint with every passenger terminal and an inherent part of its operation is a coach yard, and from the standpoint of operating costs the station and coach yard must be considered as a unit. The coach yard which serves Bonaventure Station is located at St. Henri. It is obsolete, but owing to the confined space it is impossible to modernize the facility if it is maintained in that location.

The main freight facilities are at Turcot, where there are yards for the accommodation of freight trains and for classification purposes. These yard facilities, although admirably located, are not of sufficient size and character to enable all yard operations to be carried on there, and it is necessary to use still older yard facilities in Point St. Charles to supplement them. This results in switching operations and transfer

movements which would be unnecessary if the Turcot facilities were adequate. Careful studies of the situation have indicated the possibility of economies from a re-arrangement of the Turcot facilities. In order to procure space for this improvement and enlargement, the adjacent area now occupied by the St. Henri coach yards must be utilized.

One antiquated feature of the terminal facilities inherited from the Grand Trunk is that freight and passenger terminal facilities are mixed together, whereas for maximum efficiency of operation at Montreal it is desirable to segregate the passenger and freight facilities in the terminal area as far as possible. The Bonaventure area contains both main passenger and freight facilities, as well as the large fruit and produce terminal and other industries. This condition creates difficulties in handling both classes of traffic in order to avoid interference between the two types of movement, and so long as it is continued it is impossible for the railway to modernize either the freight or passenger facilities in that area because of lack of space. With the development of competitive highway transport, the freight shed facilities of the railway become of greater importance and must conform to the requirements of convenience, accessibility and low costs of operation.

The adverse effect of antiquated and unco-ordinated facilities is not limited to the excess cost of terminal operation, but extends to the much wider field of prospective traffic and the ability of the railway to attract industries to locate on its lines of railway. The railway must plan for future development and must be able to offer prospective industries prompt and efficient service; this can only be done if the terminal facilities are modern and co-ordinated.

(C) *The long-standing grade crossing problem in Montreal.*

If railways are to serve the city adequately with freight and passenger facilities, it is necessary to have lines of railway reaching into the heart of the city and also to have lines of railway serving the industrial zones. The Canadian National facilities in Montreal are no exception. The predecessor companies of the Canadian National each had serious grade crossing problems to face. In 1912, following prolonged study and hearings, oral judgment was given by the Board of Railway Commissioners under which the Grand Trunk Railway became liable to make grade separations estimated to cost 20 millions of dollars at present day prices. The consummation of that plan was deferred by the war. The Canadian Northern faced a similar problem in the east end of the city. Through pressure of public opinion, the problem again became acute in the spring of 1927 and as a result of an order of the Board of Railway Commissioners the Canadian National Railway system was asked to prepare a plan for solving the problem. It developed that there were 63 Canadian National grade crossings in the Montreal terminal area. The central terminal plan submitted to the board by the Canadian National in the fall of 1927 provided for the solution of this problem. After the expenditure of \$16,651,000 on this plan, work was discontinued in 1931 due to the depression and was not resumed until recent months. Since 1927, 17 grade crossings have been eliminated, either as the result of the partial construction of the terminal development prior to work being suspended or as works undertaken to relieve unemployment since that time. There remain 46 level crossings, several of which are at intersections with important streets. It is certain that the problem created by these remaining grade crossings is one which must be faced by the city and by the railway, and some plan looking to its alleviation must be proceeded with as financial conditions warrant.

(D) *The effect upon the development and growth of the city, industrially and otherwise.*

The effect of the terminal plan upon the growth of the city of Montreal is intimately connected with the elimination of grade crossings, the provision of conveniently located modern passenger station facilities, the improvement of streets in the congested part of the city, and, above all, the provisions of adequate freight facilities, including industrial trackage to serve new industries.

While the alleviation of the grade crossing situation as such does not present any opportunity for substantial economy to the railway, it does have great value to the city by allowing an uninterrupted flow of traffic on the city streets. This is particularly true of the city of Montreal, in which railway lines tend to interfere seriously with north and southbound street traffic. A particularly helpful feature of the terminal plan, from the standpoint of the city, is the opportunity which will be afforded of connecting Windsor street directly with Colborne street, which in turn leads to the vehicular traffic tunnel under the Lachine canal. Also, the new streets which are provided in the new passenger terminal area will relieve congestion, particularly by affording improved connections between the upper and lower levels of the city. The hotel and retail sections of the city will be brought into closer relationship with arriving and departing Canadian National passenger traffic by the provision of a modern passenger station on the Dorchester street site, thus adding to public convenience.

From the new passenger terminal a rapid-transit suburban service can be supplied to the northern sections of the Island of Montreal, through the Mount Royal tunnel, and also to south shore communities—St. Lambert, etc.—by means of the viaduct and the Victoria bridge. This suburban traffic will become increasingly important as the city develops. The construction of an additional highway on the Victoria bridge would be a great improvement to one of the main entrances into the city; the co-ordination of the M. & S. C. railway as part of the terminal plan will permit this improvement to be made.

(E) *The provision of a satisfactory suburban service between south shore communities and the centre of the city.*

For a number of years the provision of a satisfactory suburban service between the south shore communities and Montreal has been a problem. The south shore communities have repeatedly approached the Canadian National with a view to improving services, pointing out the inadequacy of the Montreal and Southern Counties terminus at McGill street, situated at a great distance from the retail centre of the city, also the limitation upon the service caused by the fact that the railway has to use street car tracks to reach its Montreal terminus and operates over a single track on the Victoria bridge. With the building of the Montreal terminal, it will be possible to provide an excellent suburban service to the south shore communities, furnishing them with an expeditious movement via the terminal viaduct into the centre of the city.

(F) *The amount of money already invested in the property standing idle.*

The amount of money already invested in the Montreal terminal development is \$16,651,000. So long as these works are not proceeded with, this, to a large extent, represents a dead loss, neither the city nor the railway obtaining a commensurate benefit from the outlay already made.

- (G) *The necessary developments in the light of present-day conditions and requirements as well as future necessities including eventually, if decided upon, a union terminal.*

In the light of present developments, the minimum requirements to segregate the passenger and freight terminal facilities of the Canadian National Railways and to provide for the development of the central passenger terminal on a scale suitable to handle the present and reasonably prospective business, consist of a passenger station with 11 station tracks, street approaches, baggage, mail and express facilities, the completion of the viaduct to the Victoria bridge with a connection to Point St. Charles, construction of a coach yard at Point St. Charles and the electrification of the approaches.

Although designed primarily to meet Canadian National Railways requirements, the central passenger terminal can be adapted to development as a union passenger terminal with a minimum of additional expense.

I would say that the cost of providing the facilities indicated above is \$12,600,000. That is for providing the passenger facilities, the viaduct and the rest of it.

- (H) *The pre-eminent suitability of the location of the Central station for a union terminal demonstrated by exhaustive study of the situation by the company's engineers as well as by a special independent study made by Sir Frederick Palmer, M. Inst. C.E., M. Am. Soc. C.E., who was engaged by the Dominion Government for that purpose.*

In discussing the question of a Union station in Montreal, the interests of all parties have to be considered; that is, the interests of the travelling public, the city and the Canadian National Railways must be considered as well as those of the Canadian Pacific Railway Company. There are many reasons why the Windsor street site is not suitable to the travelling public, the city and the Canadian National Railways as a union station, none of which apply to the Dorchester street project either from their standpoint or the standpoint of the Canadian Pacific Railway company. Considered on that basis, it has been demonstrated that Windsor street station is incapable of being made into a true union station, but that the Dorchester street site has all the attributes of such a station.

The reasons are as follows:—

1. *Authoritative statement of an outstanding consulting engineer, chosen by the Government of Canada to report impartially upon the railway terminal plan for Montreal.*

Sir Frederick Palmer, M. Inst. C.E., M.A.M. Soc. C.E., consulting engineer, was selected by the government, in effect, to arbitrate the conflicting views of the Canadian National and Canadian Pacific Railways. His conclusions are free from bias, because he was employed neither by the Canadian National nor by the Canadian Pacific. He brought to bear upon the problem his best engineering ability and wide experience. His conclusions must be given great weight, particularly since his point of view was that of the best interests of the city and of the nation. The pertinent excerpts from Sir Frederick Palmer's report, bearing upon the use of Windsor Street Station as a union terminal, are as follows:—

"Many other proposals had previously been submitted to the railway authorities or to the press, which are mainly on the lines of providing a Union Station for both the C.P.R. and C.N.R. systems. Some of the schemes put forward had been prepared by engineers, but most of them might be described as 'amateur efforts.' It is believed that every one of these proposals has been carefully considered (certainly all the known proposals have been examined) and it is no disparagement to even the best of these schemes to say that the C.N.R. plan, which has resulted from prolonged study of the question in all its aspects by the extremely competent officials of that railway, is incomparably the best."

HON. MR. STEWART: What is the date of that report?

MR. FAIRWEATHER: 1929.

"Since the plan was made public, the C.P.R. authorities, in response to the request to give it consideration, engaged the C. E. Smith Co. of Consulting Engineers, St. Louis, to review the proposals. The outcome of their report is the adoption of the present Windsor street station site for a union station, with access thereto from the C.N.R. by a new line from St. Henri on that railway to a point on the C.P.R. slightly west of Windsor street station, and it is believed that, in further study of the question, it is admitted that no other alternative seems practicable.

"Now the existing Windsor street station, although not modern, is well equipped, and affords ample accommodation for the present traffic of the railway system it serves. Without considerable extension it would not suffice for any large increase in passenger traffic, and certainly not for the additional facilities which would be necessitated by the addition of C.N.R. traffic. It is understood that the C.P.R. authorities have in view the enlargement of the station northwards, and there can be no doubt that, at a price, it can be sufficiently extended to provide for both railways in regard to present traffic and reasonable growth thereof.

"There are, however, other considerations in respect of which it falls far short of the legitimate requirements of a union station. It is not 'union' in the sense of being a centre from which lines radiate, or can radiate, to north, south, east and west. That is impossible without detours of varying magnitude in all directions excepting the west—the principal direction admittedly. Then it is not nearly so well served by the main arterial roads of the city, which may be said to lie between Sherbrooke street on the north and Notre Dame street on the south, both inclusive. Its main access is by Antoine street, and other west to east main streets are only reached by cross roads. The connecting line to the C.N.R. can only be made mainly on a viaduct running diagonally across Antoine and St. James' streets, and over several cross roads, without any reasonable prospect of the viaduct being flanked by buildings as is proposed for the short viaduct south of the tunnel site station.

"It is believed that the C.P.R. authorities are convinced that the Windsor street site is the only other possible one which could be considered, and as they must be fully aware of the many projects which have been made public from time to time, it follows that, in their opinion, a Union station is only possible at Windsor street or the tunnel site. For the reasons given in the last paragraph, Windsor street, besides having other disabilities, is not in reality a Union station.

"The tunnel site on the other hand, possesses every attribute which a central station can have. Geographically, it is somewhat nearer to the trade centre of gravity. It is nearer to the commercial and financial centres and nearer, also, to the more densely populated portion of the city lying between Victoria square and Mile End.

"No provision was made in the original proposal for admitting the C.P.Ry. It was conceived solely for the purpose of providing passenger facilities for the Canadian National lines serving Montreal and, consequently, was in no sense a Union station. It may be that the C.N.R. officials were concerned in serving only their own needs, but the development of the project, which so obviously follows upon consideration of the general lay-out, is so important that some little trouble has been taken in adapting the site to the possibility of a real Union station. Alterations of a very minor character have converted it into a really first-class Central Terminal station project for Montreal, in which present and future traffic from all directions can be accommodated.

"Whether the C.P.R. are, or are not, prepared to take advantage now of this opportunity of bringing all their Montreal traffic into one Central station remains to be seen, but whether it be now or later, the time is bound to arrive when the tunnel site becomes the Union station of the city—not only for main line long-distance traffic but also for suburban rapid-transit trains.

"If it be granted that a joint terminus is desirable, then there can be no question about the tunnel site being the best, seeing that it is the only one yet produced affording direct access from all sides. Nothing that can be done at Windsor street will allow of equal facilities to the public, and it is maintained that anything short of the best possible is not good enough for a city of the importance of Montreal.

"This site affords possibilities of union terminal facilities which cannot be given at any other place, and it seems highly desirable that advantage be taken of this opportunity of concentrating passenger traffic.

"The purpose for which these two belated proposals are submitted is not understood. There is nothing to recommend one or the other, and it is obvious that they are 'compromise' suggestions, in which the true needs of Montreal are sacrificed to vested interests. The only lesson to be learned from them is that if they represent the best that can be devised as alternatives thereto, the tunnel proposal stands without a real competitor."

Those are extracts from Sir Frederick Palmer's report.

Mr. HOWDEN: Could we have the proposed site on the map?

Mr. FAIRWEATHER: Yes, it is on that map, but there is another map which shows it in detail.

Mr. WALSH: Will you point out the Windsor street station. I want the members to note that there is not such a tremendous difference in distance between the Canadian National tunnel site and the Windsor street station as was suggested in the report. It is actually only two blocks. You start at Windsor street.

Mr. ARMSTRONG: This is merely a diagram and is not drawn to scale.

Mr. WALSH: Anybody landing at Windsor street station can almost look down upon the tunnel station.

Mr. FAIRWEATHER: Mr. Armstrong, will you point out on the map the pertinent facts of the terminal plan so far as it relates to the central station and the approaches thereto. The station itself will be located just south of Dorchester street.

Mr. ARMSTRONG: This plan shows from Dorchester street to Victoria bridge.

Mr. WALSH: Is the connecting line a new line?

Mr. ARMSTRONG: Yes, elevated; it is part of the viaduct. The viaduct divides into two parts at this point.

Mr. WALSH: When you get back on your main line do you cross the Lachine canal?

Mr. ARMSTRONG: Yes.

Mr. WALSH: Then you cross it again?

Mr. ARMSTRONG: This is the present—

The CHAIRMAN: Will you describe that again?

Mr. ARMSTRONG: (Indicating on Plan) This is the central terminal area with the station south of Dorchester street. This is Belmont street; the extension is to be put through. Then Lagauchetiere street, St. Antoine street and St. James street; there is an elevated viaduct crossing all these streets. The grades are separated. This is the new viaduct leading from the central station to Victoria bridge. This connection here is also elevated to connect the viaduct and the existing main line from St. Henri to Victoria bridge.

Mr. DEACHMAN: Will you trace that line from Ottawa?

Mr. ARMSTRONG: The line from Ottawa is through Coteau, Turcot yards, St. Henri into Bonaventure station.

Mr. WALSH: I want the committee to notice that on the line he has just traced there are no crossings of the Lachine canal. Now, trace the new line, the proposed line going from Ottawa to Montreal. One will cross the Lachine canal and the second crosses the Lachine canal, and is it not going to take you longer to get your trains in?

Mr. ARMSTRONG: For the present that is the plan.

Mr. WALSH: We all know the difficulty of putting trains across the Lachine canal, and at the present time they are not crossing it, and with your new proposal you are going to cross it twice. It is going to interfere with the traffic on the Lachine canal seriously. It severely interferes with your faster trains from the west.

Mr. ARMSTRONG: I think that Mr. Fairweather will give you something on the crossings.

Mr. FAIRWEATHER: The question, I take it, is that the proposal to route the Canadian National trains which cross the Ottawa river at St. Annes into the new central terminal will lead to delays both to railway and canal traffic by reason of the fact that those trains will cross the canal twice whereas they do not now cross the canal at all. Is that the question?

Mr. WALSH: Yes.

Mr. FAIRWEATHER: Of course, that situation is one which was carefully examined before we considered adopting that particular type of entrance as an alternative to the other entrance which could be made north of the mountain. Careful observations were made as to the interference which takes place on the trains which now cross the canal at or near St. Henri and also to the interference which takes place on the Montreal and Southern Counties trains down at this end of the canal (Black's Bridge). Observations were taken to find out what that interference would amount to in terms of railway traffic and also in terms of canal traffic, and it is my judgment, based upon that study made under my own direction, that this particular objection to the terminal plan is one that looms large when you talk about it but when you get down to brass tacks—

Mr. WALSH: Does it not loom large as a factor—not as a talking factor but as a real economic factor?

Mr. FAIRWEATHER: I am speaking as one who has made a study of the situation.

Mr. WALSH: Your suggestion was—

Mr. FAIRWEATHER: I repeat that after careful investigation it developed that the interference which might be considered as serious has not turned out to be so serious. Now, as a matter of fact, the common impression is that most of the trains reach Montreal from the west. That is far from being true. There are a great many more trains on the Canadian National which reach Montreal by crossing the St. Lawrence river, including the Montreal and Southern Counties railway, and every one of those trains has to cross the Lachine canal now. The actual increased burden that is placed upon the canal crossing does not amount to very much when you look at it in the perspective of all the traffic.

Mr. WALSH: What are the relative figures in connection with that statement?

Mr. FAIRWEATHER: When we talk of the crossings of the canal I would say they would be probably in the ratio of about one to six.

Mr. WALSH: Six trains from the south against one from the west.

Mr. FAIRWEATHER: Six crossings of the canal from the Victoria bridge end to one that would be added at St. Henri by this particular move. The reason for this is as I said that there are more trains crossing the St. Lawrence river at Victoria bridge than there are at St. Anne's. That is true because of the Montreal and the Southern Counties.

Mr. WALSH: Does that include the Montreal and Southern Counties?

Mr. FAIRWEATHER: Yes.

Mr. WALSH: Montreal, St. Lambert, and so on.

Mr. FAIRWEATHER: Yes, but they are all crossings. Now, there are also, from an engineering standpoint, certain alleviating features. The present crossing of the canal by the Montreal and Southern Counties railways is by a swing bridge, and it is slow, whereas the crossing of the canal which is proposed is going to be by means of the most modern type of lift bridge which will minimize the time of interference of trains and canal carriers. I am satisfied, after having made a careful study of it, that at the present volume of traffic there will be no noticeable interference to trains arriving and departing in the central station. It must be kept in mind, too, that for five months of the year there is no interference whatever because the canal is frozen up, and also that for a period in the spring when the canal is officially open the traffic on it is very light, so that the actual time at which this interference might be considered to be serious, when you spread it over the year, does not constitute a serious factor. And again I want to emphasize that after a careful and detailed study of these canal crossings it is my considered judgment that canal carriers are not going to find their traffic interfered with materially and passengers arriving and departing by the Canadian National railway terminal are not going to be seriously interfered with either. Many of you who have come into Montreal on the Maritime Express or the Ocean Limited or by any train on the Canadian National railway that brought you into the city from south of the St. Lawrence river—did you suffer any noticeable delay at the canal? It is one of those things where we have facilities, transportation facilities, which to a degree come in conflict, and it needs a certain amount of intelligent control, signalling apparatus and mutual accommodations. I do submit that the Canadian National Railways would never think for one moment of subjecting its passenger traffic to a serious delay by these canal crossings, and it was for that reason that the idea was very carefully examined; and I do submit that the result of a careful examination like that, based upon the experience of the Canadian National in this canal crossing situation, is something that needs to be given consideration.

Of course, I have qualified—I want to qualify my statement by saying that if passenger traffic, and particularly if the freight traffic increases to a point where the capacity of that line of railway (between St. Henri and Victoria

Bridge) becomes taxed, that is the double track line of railway crossing the canal at St. Henri—if the freight business—it is not alone the passenger question—but if the freight business on that line becomes of such a volume that there is interference between freight and passenger movement, then something will have to be done about it. There are alternative entrances into the central station for trains from St. Anne's. If we refer to this other map showing the original terminal plan contemplated, the cut-off, as Mr. Armstrong has pointed out, it will take the trains right into the central terminal. That cut-off was part of the larger terminal plan before it was changed to this modified basis. Much of that right-of-way for that line is owned by the Canadian National. The construction of it as an outer belt line, if and when the capacity of the other line is taxed, is entirely feasible and can be carried out without a large expense.

Mr. YOUNG: What is the length of that little green line between the two red lines?

Mr. FAIRWEATHER: That cut-off across there?

Mr. YOUNG: Yes.

Mr. FAIRWEATHER: About six miles.

Mr. DEACHMAN: Would it be satisfactory to operate a railway like that with heavy traffic through a tunnel?

Mr. FAIRWEATHER: Now, with regard to that I think it would be entirely satisfactory for any volume of traffic, including the interurban traffic to the north that is possible of development for a long time to come. The capacity of a double track line is really very great, and this is a double track tunnel. Moreover the tunnel is divided up into signalling sections so that one train can come out after another with complete safety because the locomotives will be automatically interlocked. The capacity of the tunnel is very high. I would say that I cannot in the future see any possibility within any time that we talk about of the capacity of that tunnel being exceeded by the Canadian National Railways. Of course, there is another alternative method of coming in north of the station.

Mr. YOUNG: What is the length of that tunnel?

Mr. FAIRWEATHER: About three and one-half miles.

Mr. YOUNG: Can you operate steam trains there?

Mr. FAIRWEATHER: No, it is all electric. Now, if as I say, the line crossing the Lachine canal at St. Henri should become congested by reason of interference with freight and passenger traffic, and if it were not considered desirable to build a belt line, there are two other alternative methods of getting into the station. That is the beauty of this central station location—the ease with which it can be reached. Will you point out, Mr. Armstrong, the Lachine, Jacques Cartier and Maisonneuve railway, and point out how a train from the west coming over that line could get into the tunnel

Mr. ARMSTRONG: (indicates with pointer).

Mr. WALSH: That is taking right-of-way from the Canadian Pacific.

Mr. FAIRWEATHER: No, that is Canadian National—the Lachine, Jacques Cartier, Maisonneuve railway.

Mr. WALSH: But from Dorval.

Mr. FAIRWEATHER: Oh, between Dorval and Ballantyne, yes, that is quite true that it would mean running rights there. The other way would be to take trackage rights from the Canadian Pacific railway from Dorval and come in around the back of the mountain into the tunnel. If, as I say, freight and passenger traffic should get to the point where it would tax the canal crossing at St. Henri it is entirely feasible to get into the tunnel from the north, and it is relatively inexpensive. I would like to say also in connection with this canal crossing that the removal of the Montreal and Southern Counties trains

from the swing bridge to the new bridge, is going to make an improvement in the internal movements in Montreal between the canal crossing and the terminal.

Mr. YOUNG: Under the original proposition was it not intended that a train going to Ottawa would go through the tunnel?

Mr. FAIRWEATHER: Well, originally it was proposed that way, but a careful study of the situation indicated that the amount of money represented in that connection could be saved by bringing the trains through St. Henri and then through Point St. Charles and into the new station area.

Hon. Mr. HOWE: Of course, only passenger trains would come in that way; the freight trains would come as now.

Mr. FAIRWEATHER: The freight would be undisturbed just the passenger trains.

2. *Geographical Location.*

A union station, if it is to serve the true needs of a large city, must be convenient of access to all lines of railway which converge on the city. Windsor Street station does not meet this requirement for Montreal. It affords direct access from only one direction. In all other directions, trains must make detours in order to reach it. As compared with this, the Canadian National central terminal is remarkable in that all railways which approach Montreal from the south and east of the St. Lawrence can be brought to a single point of concentration at Victoria bridge and, similarly, all trains from the north and west can be brought to a point of concentration north of the Mountain.

I think, Mr. Armstrong, that is sufficiently important to be pointed out on the map. Everything that approaches Montreal from the south can be brought to a focus at the Victoria bridge, and that applies as well to the trains of the Canadian National and the Canadian Pacific—a connection at St. Johns, Quebec, would enable the Canadian Pacific trains to be routed in over the Victoria bridge.

Mr. DEACHMAN: Where do those C.P.R. trains to the maritimes go out?

Mr. FAIRWEATHER: They leave Windsor station, cross the canal at Lachine, cross the St. Lawrence, skirt around Laprairie basin and cross the Canadian National line at St. Johns.

Mr. DEACHMAN: Then take the C.P.R. line to Quebec, where does it run?

Mr. ARMSTRONG: (Indicating on plan) The C.P.R. train to Quebec either leaves the Place Viger station here, then to Park avenue and then to Quebec or from Windsor Street through Montreal West, St. Luc junction, Park avenue to Quebec. To reach Windsor Street station it has to run around the city, whereas the same train to reach the Canadian National central station can come right in without using that round-about route.

Mr. FAIRWEATHER: The Mount Royal Tunnel and the viaduct connecting it with the Victoria bridge afford the shortest possible link between these two points of concentration.

And that is the nub of the Canadian National terminal plan: the fact that you have these two natural points of concentration and you have the ability to put a link straight across the city by tunnel and viaduct without disturbing the city streets. It is really a unique sort of opportunity.

The location of the station at Dorchester street approximately at the middle point of this connecting link, permits trains of all railways converging on Montreal to enter the heart of the city directly instead of in a round-about manner.

Mr. Armstrong has indicated some of those round-about routes.

Sir Frederick Palmer contemplated Canadian Pacific trains reaching the central station by means of a tunnel. This, however, is only one method by which trains now using Windsor Street Station could be brought into the central station. Alternative connections at St. Johns, Quebec, and at the north portal of the Mount Royal tunnel would be considerably cheaper than a tunnel connecting the Canadian Pacific and the Canadian National Railways.

A table of the comparative distances from various points of approach to Windsor street and the central terminal shows the superiority of the central passenger terminal, as compared with Windsor street.

Direction	Distance to C.N.R. Terminal Station Shorter or Longer than to Windsor St. Station	
	Miles Shorter	Miles Longer
East and South of St. Lawrence River—		
C.N.R.—Maritime, Sherbrooke, Portland, Me...	22.3*	
Boston and New York...	6.4*	
C.P.R.—Maritimes, Sherbrooke, Boston...	6.4*	
New York...	2-3
West and North of St. Lawrence River—		
C.N.R.—Quebec...	6.4	
Laurentian Mountain Points...	6.8	
Ottawa, Toronto and West...	2.1
C.P.R.—Quebec...	6.4	
Laurentian Mountain Points and Ottawa (North Shore)...	6.4	
Ottawa, Toronto and West...	2.1

*These figures are based upon the use of existing railway routes to Windsor Street. If a viaduct were constructed from St. Henri to Windsor Street the figure would be 1.7 miles in each case.

For instance, take the trains of the Canadian Pacific Railways from the maritime provinces. They come in—

Mr. ARMSTRONG: (Indicating on plan) Through St. Lambert, Brossseau, Delson, Adirondack junction, Montreal West to Windsor station, as compared with the C.N.R. route through St. Lambert, via Victoria bridge and the new viaduct to the new terminal. That is about 22.3 miles further into Windsor station than it is into the central terminal from St. Lambert.

Now, indicate the route of trains from Boston and New York: they come through St. Johns, Brossseau, St. Lambert, the Victoria bridge and the viaduct to the new terminal as compared, in the case of the C.P.R. with St. Johns, Delson, Adirondack junction, Montreal West and Windsor station. That is 6.4 miles further into Windsor station than it is into the new terminal.

Mr. FAIRWEATHER: Indicate the C.P.R. through Sherbrooke and Boston?

Mr. ARMSTRONG: It is the same route from St. Johns into Windsor street station as for New York and Boston trains, and the saving would be the same, 6.4 miles, by using the central terminal.

Mr. FAIRWEATHER: Now, take the Canadian National line from Quebec. To the new terminal via L'Epiphanie.

Mr. ARMSTRONG: To get into Windsor street station from the junction at L'Epiphanie you would have to go through a junction at L'Epiphanie, St. Martin junction, Park avenue, Montreal West to Windsor street, as compared with, in the case of the C.N.R., from L'Epiphanie to St. Martin junction, through Jacques Cartier junction and Eastern junction into the new terminal; or via Jacques Cartier junction through Park avenue, north tunnel Portal—into the new terminal. The saving in distance is 6.4 miles, by using the central station.

Mr. FAIRWEATHER: Then indicate the routes into the Laurentians.

Mr. ARMSTRONG: From the Laurentians: the Canadian National route is through St. Eustache, eastern junction, directly through the tunnel to the new terminal, whereas in the case of the C.P.R. to Windsor street it is St. Eustache, eastern junction, a connection at Ballantyne, Montreal west to Windsor station. There is a saving of 6·8 miles using the Central station.

Mr. FAIRWEATHER: Then take the C.P.R. trains from Quebec. They show the same saving as the Canadian National trains, namely 6·4 miles; and the same is true of the C.P.R. Laurentian trains.

Mr. ARMSTRONG: The Laurentians, yes.

Mr. FAIRWEATHER: Everything from the north will show a saving of 6·4 miles to 6·8 miles coming into the new tunnel as compared with Windsor street. Now, take the Delaware and Hudson from New York.

Mr. ARMSTRONG: The D. & H. now routes through Rouse's Point, Delson, Adirondack junction, and Montreal west to Windsor street. The alternative route would be through St. Johns and into our terminal.

Mr. FAIRWEATHER: I think that will give you an idea of the various routes that are available into the central station area and into Windsor station, and indicates that for the majority of trains coming into the terminal the distance is considerably shorter to the new station at Dorchester street than it would be to Windsor station.

Mr. WALSH: Could you point out the route using Place Viger station as a union station, as a nice short run to the city of Quebec?

Mr. ARMSTRONG: Assuming Moreau street trains used Place Viger, the route would be this route (indicating).

Mr. YOUNG: Why not the red route?

Mr. WALSH: I am taking a proposed route that would cut off at least one hour or an hour and a half on our trip to Quebec.

Mr. FAIRWEATHER: I think that is an over-estimate.

Mr. WALSH: I have heard it mentioned so frequently that I would like to have it checked up. It aroused my enthusiasm.

Mr. FAIRWEATHER: It is a little over-estimated. I would like to say about that situation—you see the red line running out of Bout de L'Ile.

Mr. ARMSTRONG: From Moreau street to Bout de L'Ile.

Mr. FAIRWEATHER: You see the blue line running from Place Viger station east and then north. It is undoubtedly true that the route from Place Viger via the Canadian National to L'Epiphanie is shorter than the other route.

Mr. VIEN: By how much?

Mr. FAIRWEATHER: I think it is about fifteen miles. In running time it would be about twenty-five minutes, I suppose.

Mr. VIEN: What about the grade between Montreal and St. Martin junction?

Mr. FAIRWEATHER: The grades do not bother the passenger trains. What I am coming to is this. It really is not possible to get passengers from that red line into Place Viger station unless and until costly viaducts are constructed along the red line there or parallel to it at Longue Pointe. At one time the Canadian National and the Canadian Pacific had seriously under discussion this very proposal, and when the city of Montreal was approached with the idea of allowing that viaduct to be built or completed—known as the Rouen street line—the consent of the city could not be obtained and that line, I believe, is now being demolished. Now, there are one or two ways of getting that red line (C.N.R.) into Place Viger station.

Mr. YOUNG: How far are they apart now?

Mr. FAIRWEATHER: I do not think it is more than, perhaps, a mile.

Now, as to what I said: I said that for passenger trains it is difficult to get a connection; of course, there is a freight connection now. But there are two ways you can do it—at least, that you cannot do it; one is to attempt to go down over the harbour commissioners' track from Longue Pointe with a track running over the harbour commissioners' into Place Viger. That was investigated, but owing to the fact that the harbour commissioners' tracks are so used for harbour service it was not considered advisable to use that route. Another alternative would be to try to use the freight connection which exists between Moreau street and the Canadian Pacific facilities by using some of the yard tracks; that was looked into and it is physically possible to do it, but if you do it you are going to create a serious grade-crossing problem running passenger trains over those streets; you would be maintaining and aggravating a situation that is now there, by so doing. But as part of a large plan a satisfactory scheme could be worked out. I am simply detailing this thing which was seriously under consideration at that time. A viaduct was suggested, but the city would not have it. The thing was dropped when the attempt to use the harbour commissioners' track proved abortive and an attempt to develop a connection through the yard tracks of the Canadian National and the Canadian Pacific railways was not considered to be feasible; but, as I say, again it is a matter of dollars and cents.

Mr. WALSH: Your present plan contemplates continuing in use your present Moreau street station, it would continue to be a factor in your system?

Mr. FAIRWEATHER: As I pointed out, it is possible to take running rights over the Canadian Pacific railway from L'Epiphanie through St. Martin junction into our new terminal.

Mr. VIEN: Is that intended?

Mr. FAIRWEATHER: That is under consideration, yes.

Mr. WALSH: Mr. Fairweather mentioned Sir Frederick Palmer's name, that he was selected by the government?

Mr. FAIRWEATHER: Yes, sir.

Mr. WALSH: Was he selected by the government or by the Minister of Railways at that time?

Mr. FAIRWEATHER: Well, I may be in error there; certainly as far as we are concerned he came to us as a representative appointed by the government.

Mr. WALSH: What I wanted to get is this; if he was selected by the government I would like to have a copy of the Order in Council; if he was selected by the Minister of Railways I would like to have a copy of the letter of the Minister of Railways authorizing or recognizing his appointment.

Mr. VIEN: I think we find his instructions in this material before us.

Mr. WALSH: It is not there. I have not been able to find it.

Mr. VIEN: It hardly matters under whose instructions he acted.

Mr. FAIRWEATHER: In any event, that inquiry could hardly be directed to the Canadian National. As far as we are concerned he came to us accredited from the department of the government to whom we report.

Mr. WALSH: Yes, but he is put before us as an independent gentleman who is called in to study this plan. Now, can we recognize him as an independent consultant, or was he acting with the Canadian National officials to prepare that report that would lead to the tunnel station?

Mr. FAIRWEATHER: Oh, decidedly not. When Sir Frederick Palmer undertook his study I was one of those who contacted him, and if anybody had any idea that Sir Frederick Palmer did not make a searching study of the terminal situation in Montreal, he is very wrong. He was a very difficult man to satisfy.

Hon. Mr. HOWE: I might say that engineers are peculiar people, no matter who retains them they report according to their findings; and Sir Frederick Palmer was a determined man and an eminent engineer.

Mr. WALSH: I recognize his authority at the same time, no matter what his reputation might be, if he is under the command of a certain body as against another body naturally even an engineer is influenced by those for whom he is acting.

Mr. DEACHMAN: Are you implying that he was instructed that a certain job was to be put across there?

Mr. VIEN: Sir Frederick had been retained by the government in respect to the terminal of the Hudson bay railway. He was on his way back to England when this question was being studied by the Board of Railway Commissioners, and the minister, then the Hon. Mr. Dunning, retained him in Ottawa and Montreal to make a report on the situation. I think it will be easy to find in the Department of Railways and Canals instructions which were given to Sir Frederick Palmer at that time. He had been retained by the government through the Minister of Railways and Canals to make a report, as they sought to take advantage of his being in Canada to have the benefit of his views on the subject. Whether it was by Order in Council or by direction of the minister I do not believe it is material.

Mr. WALSH: There should be no objection to our having that information.

The CHAIRMAN: The minister has stated that he is going to make an inquiry in the department and report to us as a committee.

Mr. WALSH: Are we going to take this report up page by page or are we going to stay with the tunnel terminal until we are through with that?

The CHAIRMAN: I think we had better let Mr. Fairweather finish his statement. He is not quite through yet.

Mr. WALSH: He is not through? I thought he was.

Mr. FAIRWEATHER (continuing):

(3) *Convenience of Street Access*

Convenient street access to a large passenger station is very important. It is well known that the situation at Windsor street station is poor in that regard. It is situated on a steep side hill. St. Antoine street, which flanks it on the south, is comparatively useless, and the same is true of Windsor street on account of its steepness. This forces practically all vehicular access to the station on Osborne street, which is not a through street and is very narrow.

In contrast to this, the central terminal development provides for two new north and south street approaches which with connecting ramps will furnish vehicular access at each end and each side of the station and provide several outlets connecting with the main traffic arteries of the city to avoid congestion. Another point to be considered is that the pedestrian and street car approaches to the central station are segregated from the vehicular approaches which action also avoids congestion. That is, at the new station the vehicular approach to the station is separate from the passenger approach. They do not use the same entrances.

Study of population trends in Montreal shows quite clearly that the centre of population is moving east and north. Since the central terminal is north east of Bonaventure and Windsor street stations, a movement to a union station at the central station would be a move in the direction of the population trend. The centre of the hotel and retail sections of the city is closer to the central terminal than to Windsor street.

(4) *Development of Building Sites on the Station Area*

This is a factor of great economic importance in a long term view of a terminal development in a large city. A passenger station, to be of maximum use to the city, must be located near the centre of the retail and hotel sections, but the cost of an area of sufficient size for a railway terminal in such a location, and of approach tracks, will be very great unless the terminal is so designed that commercial buildings can be constructed over the railway facilities, by which means substantial ground rents for overhead rights can be developed. Windsor street station is not suited by location for such development, while the central station area is eminently suited for it.

(5) *Inadequacy of Windsor Street Station*

Windsor street station, while adequate for Canadian Pacific train service, is not large enough to accommodate all trains which enter and leave Montreal. The inadequacy of the station consists not only in the lack of capacity of the station tracks, but also in a lack of capacity of the approach tracks, coach yard and engine house facilities at Westmount, and express, baggage and mail facilities.

Owing to the side hill construction of Windsor street station, the enlargement of the track capacity would be a very expensive undertaking. To the south an expensive viaduct construction would be necessary; to the north it would be necessary to abandon Osborne street in its present location and reconstruct it further north, and this leads to complications in the Guy street and Mountain street subways. To obtain adequate capacity of approach tracks, another track at least would have to be constructed from the station as far as Westmount and two additional tracks from Westmount to Montreal West, at which point new and enlarged coach yard and engine house facilities would have to be constructed, the reason being that the Westmount facility cannot be enlarged. The additional lines to Westmount and Montreal West with the attendant grade separations would be expensive.

In addition, however, if Windsor street station is to be used, the question of an approach from the Victoria bridge has to be considered. This approach would, of necessity, take the form of an expensive high level viaduct running from St. Henri on a steep grade. Canadian National trains from the south and east could reach Windsor street station without such a viaduct. Trains from New York could be diverted at St. Johns, Que., on Canadian Pacific trackage and routed via the Lachine bridge and Montreal West, and trains from the Maritimes might be diverted over the Quebec bridge and thence over Canadian Pacific trackage on the north shore. Other Canadian National trains serving points south and east could be diverted at St. Lambert and sent around via the Lachine bridge; but all these expedients, while saving the expenditure of viaduct construction, would add from $6\frac{1}{2}$ to 22 miles on all such train movement, and would lengthen running times of trains as much as 45 minutes. Also, if the Maritime trains should be routed over the Quebec bridge, it would be necessary to supply substitute train service on the south shore of the St. Lawrence between Levis and Montreal, so that not only would there be slower and less adequate service, but operating costs for additional train mileage run would be very substantial and would be the equivalent of a large capital sum.

It is certain that more money would have to be expended on Windsor street station, including tracks, approaches, coach yard, engine facilities, express, baggage and mail facilities, to accommodate Canadian National trains, than the additional funds now required to be expended on the central terminal to accommodate Canadian National trains.

Mr. WALSH: You are making that statement on your own authority?

Mr. FAIRWEATHER: I am making it on the authority of a study that has been made of the situation.

Mr. WALSH: Yes, but there are other people who have made the same study and have come to a quite different conclusion.

Mr. FAIRWEATHER: My authority is the study I mentioned.

Mr. WALSH: I have their statement here.

The CHAIRMAN: Mr. Walsh, will you allow Mr. Fairweather to complete his statement, then we will come back to that afterwards. Go on, Mr. Fairweather.

Mr. WALSH: I did not want to get away from the point altogether.

The CHAIRMAN: No, but we will go back to it.

Mr. FAIRWEATHER: (continuing):

A consideration of these factors demonstrates that if a union station is to be provided for Montreal, the only logical location for it is at the central terminal site.

It is, however, by no means clearly established that a union station is a necessity for Montreal at the present time, and under present conditions, however desirable a union station may be as an ultimate objective in the development of the city. What is clearly established at the present time is that the Canadian National Railways and the city are both suffering from the disjointed nature of the Canadian National facilities, both freight and passenger, and from the existing stations and facilities, which are, for the most part, old and obsolete; also that there is in connection with the existing Canadian National facilities a serious grade separation problem. Sir Frederick Palmer clearly recognized this situation, and states in his report:—

“Whatever may be the ultimate decision in regard to the concentration of all Montreal main line passenger service at the tunnel station, there can be no two views about the desirability of, indeed the necessity for, grouping all C.N.R. trains at this place”

“It is absolutely necessary to provide suitable passenger station accommodation for the Canadian National Railways to replace the obsolete buildings now in use.”

“The tunnel site affords by far the best means of developing this necessity”

It is also an established fact that the Canadian National terminal plan is half completed along lines which solve the grade crossing problem, co-ordinate the Canadian National terminals, and conform to the requirement of being readily adaptable to a union station at the best possible site. In short, the best thing to be done is quite plainly to finish the half completed Canadian National terminal. This will co-ordinate the Canadian National terminals with benefit both to the railway and the city. The plan is excellently designed to serve the requirements of the Canadian National Railways and is readily adaptable to a union station. The expenditure of large sums of money on Windsor street station and approaches thereto is not a reasonable solution of the problem.

From an engineering standpoint, less money need be expended on the Canadian National plan to meet Canadian National requirements for co-ordination of its terminals than would be needed to effect only a partial co-ordination of Canadian National facilities based on Windsor street station.

From a traffic standpoint, there is no pressing necessity for a union station in Montreal, the interchange of passengers, mail, baggage and express between the existing Canadian National stations, as a group, and the Canadian Pacific stations, as a group, being of small proportions.

From a street traffic standpoint, the Montreal terminal development improves the north and south arteries of the city, segregating pedestrian from street car and vehicular approaches to the station, gives direct access to the retail and hotel sections of the city and provides an opportunity for commercial building over the terminal site. On the other hand, Windsor street station possesses none of these advantages and would add to street congestion.

From the standpoint of future requirements, the central terminal site is pre-eminently suited for a union station while Windsor street station could never properly be so designated.

The conclusion is inescapable, that the best interests of the Canadian National Railways and of the city would be served by the completion of the Montreal terminals on a modified plan to meet the present requirements of the Canadian National, and in such a manner that they could be readily adapted to use as a union station.

That is the end of it.

Mr. DEACHMAN: In your opinion would there be any material economy and efficiency in handling the freight in Montreal by the use of this terminal?

Mr. FAIRWEATHER: Oh, yes.

Mr. DEACHMAN: Could you give us an idea of any savings that would be possible, and what exactly the advantages would be?

Mr. FAIRWEATHER: I touched on that question in my memorandum; that our freight facilities in Montreal are cramped, and there is an opportunity for a very substantial improvement by re-arrangement. But we cannot begin to re-arrange your freight facilities until you get rid of your passenger facilities, because they are all mixed together; and consequently when you get rid of your passenger problem by terminal development it will enable you to turn your attention to the freight lay-out; and when you do that you are going to get economies that are really of a very substantial nature.

The CHAIRMAN: Mr. Deachman, before we go on with this discussion of this memorandum read by Mr. Fairweather I would like to finish first of all with the report of the Canadian National, and then we will go on with the discussion of the special report when we are through with that. Have you gentlemen any further remarks on the other part of the report, excepting the Montreal terminal?

Mr. WALSH: Yes. On page 4 of the report, the very opening figures, operating revenues and operating expenses; we notice a decrease of \$4,613,546.31 in the operating expenses of the railway; and it is suggested further down that this was carried out by holding such costs to a minimum. Now, there is a decline from \$16,154,886 in the operating revenue. Would the management consider that the decrease in operating revenues would in any way decrease operating costs? Is the fact that the operating costs are down due altogether to the fact that very careful business management was applied?

Mr. HUNGERFORD: Well, Mr. Walsh, reduction in traffic automatically reduces expenses to a certain degree, but the reduction from that point of view would not equal the total reduction that was effected, by a long long way.

Mr. WALSH: I see, but it would affect it to a certain extent?

Mr. HUNGERFORD: Quite.

Mr. WALSH: And further down you have suggested that 25 per cent of the reduction in maintenance and equipment forces, referred to at the bottom of

page 4, "subsequently and concurrently with the decline." Now, at the beginning of the paragraph, "operating revenues": "The decline in general business activity in the latter part of 1937 . . . continued throughout the latter part of 1938", and yet we did not get this 25 per cent reduction in the maintenance and equipment forces put into effect until well on in 1938—"subsequently and concurrently."

Mr. HUNGERFORD: That is quite true, Mr. Walsh. That was in pursuance of the policy that was decided upon to place a larger number of locomotives and cars in serviceable condition. That program was carried through the year 1937 and it was continued for the first three or four months of 1938.

Mr. WALSH: Then you have put into effect a 25 per cent decrease in 1938, but not soon enough to help out the situation as far as operating losses were concerned?

Mr. HUNGERFORD: As I said before, we were pursuing a program designed and intended to place more locomotives and cars in serviceable condition. That program was begun at the beginning of 1937, and during that period of time, on account of the restoration of the wage rate, the average wage was working up; that was one factor in getting the work done before the full restoration was in effect, and that would mean that we should get the work done at a slightly less cost. But over and above that it was that we did not have nearly as many cars and locomotives in serviceable condition as we should have had to take care of future requirements.

Mr. WALSH: You have now, is that right?

Mr. HUNGERFORD: Yes.

Mr. WALSH: And the paragraph at the top of page 5: "While maintenance and extensions have been kept to a minimum, the property and equipment is in good condition having regard to the volume of business to be handled". That is the volume of business at present, and what you might anticipate in the near future?

Mr. HUNGERFORD: As far as one can anticipate, that is the condition.

Mr. WALSH: Then, in connection with the hotels, there is an increase of \$25,927 in the operating income. If I remember rightly I filed a question that might have answered these things that I wanted to get; what was the average rate of return on hotel investments for this past year? Have you got that?

Mr. HUNGERFORD: I will see, Mr. Walsh.

Mr. FAIRWEATHER: We have here a tabulation, I think, Mr. Walsh, that answers your question.

Mr. WALSH: It is all there?

Mr. FAIRWEATHER: Yes.

Mr. WALSH: I can figure it out from that.

The CHAIRMAN: Just a moment, Mr. Walsh, do you want this read into the record? I think it would be advisable.

Mr. WALSH: I asked the question at the first meeting.

The CHAIRMAN: It might be as well to have it read into the record.

Mr. FAIRWEATHER: It is quite a long statement.

The CHAIRMAN: We will have it taken as read and it will be published in the record.

CANADIAN NATIONAL RAILWAYS
HOTEL OPERATION, YEAR ENDED DECEMBER 31, 1938

Hotel	Location	Capital cost to Dec. 31, 1938		Revenues		Expenses		Taxes		Net	
		\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.
Chateau Laurier.....	Ottawa, Ont.....	8,673,307	68	1,158,537	84	927,958	88	62,285	45	168,293	51
Prince Arthur.....	Port Arthur, Ont.....	1,186,065	52	156,618	49	131,712	05	5,504	34	19,402	10
Minaki Lodge.....	Minaki, Ont.....	1,094,079	24	51,896	80	49,844	07	162	00	1,890	73
Fort Garry.....	Winnipeg, Man.....	2,906,934	58	346,474	81	338,583	13	26,305	18	18,413	50
Prince Edward.....	Brandon, Man.....	525,623	10	91,839	39	95,888	48	3,972	12	8,021	21
Macdonald.....	Edmonton, Alta.....	2,271,967	36	408,460	90	367,050	86	15,071	79	26,338	25
Jasper Park Lodge.....	Jasper Park, Alta.....	2,660,425	32	291,977	90	237,878	89	4,631	80	49,467	21
Bessborough.....	Saskatoon, Sask.....	3,567,459	62	224,206	88	246,970	60	1,692	87	24,456	59
Pictou Lodge.....	Pictou, N.S.....	199,456	21	17,382	88	16,746	86	305	00	331	02
Nova Scotia.....	Halifax, N.S.....	2,448,464	30	311,978	17	286,357	40	11,071	18	14,549	59
Canadian National.....	Charlottetown, P.E.I.....	857,579	45	85,299	94	85,029	82	3,637	48	3,367	36
	TOTAL.....	26,391,362	38	3,144,674	00	2,784,021	04	134,639	21	226,013	75

Mr. WALSH: That will be quite sufficient. Could I ask Mr. Fairweather or Mr. Hungerford whether the hotel operating expense figure includes any charges for depreciation?

Mr. COOPER: No, we do not include depreciation in our hotels accounts.

Hon. Mr. HOWE: What about depreciation, isn't included?

Mr. COOPER: Not in connection with hotels.

Mr. WALSH: What are you going to do when one of these million dollar hotels become obsolete, or is no longer fit for use; are you going to rebuild it?

Mr. COOPER: So far as furniture and fixtures, equipment of every kind, is concerned, it is replaced as required and generally is maintained in first class condition. That all comes under operating expenses. There is no provision for obsolescence of the building itself. That is, the ultimate retirement of the building itself is not being provided for. We are providing from year to year through the operating expenses of the hotels for all the depreciation which is taking place, apart from the building itself; and that is being kept in very good condition. I think anybody who looks at any of our Canadian National hotels would be fully convinced of that.

Mr. WALSH: I am not objecting.

Mr. COOPER: I do not think you could fail to be impressed by the first-class condition in which they are being kept.

Mr. WALSH: That is beside the point. We have the report here and it indicates quite clearly that there has been absolutely nothing set aside for depreciation on buildings, or for replacement of the buildings; and that is a condition which you would not find with respect to any other type of business. In business if they erect a building they immediately commence an account that will cover the cost of that building in due course. I know when we erect public buildings, schools for instance—where most of my experience has been—we are compelled by law to set aside each year a certain amount of money so that when the bonds become due we have the money to meet those bonds, and the presumption is the building itself is no longer of any use and we have then to float bonds to re-erect that building. Now, you have nothing of that character in your account.

Mr. DEACHMAN: They do not have it with respect to the railways either.

Mr. WALSH: That is quite a different matter.

Mr. DEACHMAN: The question of obsolescence comes up there. There is no difference. You are saying that the hotels are becoming out of date. The railways are subject to the same condition.

Mr. WALSH: No, the railways are replaced from year to year.

Mr. DEACHMAN: And just in the same way these hotels are kept up to date.

Mr. WALSH: No, they are not. Do not confuse me. You get the idea; this is a business question with me, it is not a matter of quibbling.

Hon. Mr. HOWE: Assuming its desirability, do you think it is good business for us to increase the deficit just for the sake of building up a fund within the railway to take care of this item?

Mr. WALSH: I think the railway itself should do that.

Hon. Mr. HOWE: The railway does not earn enough to do it.

Mr. WALSH: They should not report an operating revenue here of \$226,014 without taking this factor into account. It would not be done in any ordinary business. In any ordinary business institution that would not be done. When you report a net you should have it after everything has been looked after. Here is one important item that is not looked after, depreciation on buildings.

Hon. Mr. HOWE: Why report a net on that, it goes into the general fund of the railway to cut down the general deficit that has to be met by the public. I think that is a good way to use it, don't you? Why should we build up a fund within the railway accounts to take care of an item of that kind when the deficit has to be met out of public funds in any event, why not use it to make up the deficit?

Mr. WALSH: I have quite a different point of view of the matter, and my view is this: this is a railway proposition and it is presumed to be run as a business institution the same as any other line of business would be run; regardless of where this deficit comes from. I heard a very apt expression at a sitting of the Senate committee, possibly the minister himself was there at the time, but mention was made to "picking grandpa's pocket".

Hon. Mr. HOWE: I was not there at the time.

Mr. WALSH: Here is the Canadian National railway report and in that there is no allowance for depreciation on buildings, or for replacement of buildings; and the minister excuses it on the ground that well, it is as broad as it is long, because the public pay no matter which way we do it, you would have to get more money from the public if you put aside a certain amount for depreciation. And now, that is one side of the picture, but the other side of the picture is quite different. This is a business institution and we have no right to expect the public of Canada to dig down into their pockets again for future losses. We have no right to expect that.

Hon. Mr. HOWE: Do you propose to ask the public to dig down in their pockets to build new hotels?

Mr. WALSH: It is just as if the minister and I were in the hotel business. If we build a hotel and operate that hotel one of the first things we would do when we commenced operation would be to start that type of account so that when our hotel got old and delapidated we would have the money with which to replace it. I think that is common-sense business practice. I do not see why in the same way the Canadian National does not adopt a business proposition of that kind. It is common sense. If it did that it would not now say to the public we have a net operating income of \$226,000 in connection with our hotels, it would probably show a deficit. And it is not giving the public a true picture, to go back to an expression which I used two years ago; it is not giving them an exact picture of the losses which we are sustaining in operating the Canadian National railways and other companies connected directly or indirectly with that organization. For instance, if I own shares in a company and I get an operating statement at the end of the year I expect that statement to reflect the true conditions of that company which I am interested in. I am a shareholder of the Canadian National Railways, and I expect

that they will give me a true and exact picture of the actual conditions that exist at the present time. And I do not consider that this statement is an exact picture, because it does not look after one item that I consider of tremendous importance in the conduct of any business enterprise.

The CHAIRMAN: Mr. Walsh, you have been told by Mr. Cooper that the expenses connected with the replacement of furniture, as well as repairs to buildings, were chargeable to this account.

Mr. KINLEY: Is that true?

Mr. COOPER: Yes.

Hon. Mr. HOWE: The replacement of furniture, crockery, carpets and furnishings, repairs to buildings and everything of that kind are all charged against operations.

Mr. KINLEY: Do you carry any insurance on these hotels?

Hon. Mr. HOWE: No.

Mr. DEACHMAN: Would you mind telling me what is the custom in connection with the C.P.R. with regard to their hotels; you are both familiar with that?

Mr. COOPER: With regard to depreciation the Canadian Pacific practice has changed in the last three years. If Mr. Walsh had asked this question three years ago I could have said that our practice was precisely similar to that of the Canadian Pacific. The Canadian Pacific up to date have accumulated 5 per cent, that is the total accumulated depreciation which they have set aside with respect to depreciation on their hotels.

Mr. WALSH: Don't you think it was a wise move on their part to do that?

Mr. DEACHMAN: Would you consider that ample, Mr. Walsh?

Mr. WALSH: No, it is not ample. I want Mr. Cooper who is as good a financial authority with respect to railway matters as there is in the Dominion of Canada, to see if it is not possible to put the C.N.R. on the same businesslike basis in respect to all hotels. Now, let me ask him a question—it is beside the point—how do you handle steamships?

Mr. COOPER: We do not include depreciation in our railway steamships accounts.

Mr. WALSH: You do not?

Mr. COOPER: No, and the Canadian Pacific do. You made the remark that our statement in your opinion is not a correct presentation of the situation. I must point out to the committee that the balance sheet carries a certificate setting out clearly our practice with respect to depreciation. We say what is our policy with respect to depreciation accounting; and if that is set out clearly on the balance sheet then there can be no question of the statement being misleading.

Mr. WALSH: Does it state clearly that there is no depreciation at all either with respect to the steamships or the hotels?

Mr. COOPER: I think so, yes.

Mr. WALSH: Where is that?

Mr. COOPER: You will see it on the balance sheet.

The CHAIRMAN: We will come to that point when we consider that part of the report.

Shall we adjourn to meet again at 4 o'clock this afternoon?

Some Hon. MEMBERS: Agreed.

The committee adjourned at 1:05 o'clock p.m. to meet again at 4:00 o'clock p.m. this day.

AFTERNOON SESSION

On resuming at 4 p.m.

The CHAIRMAN: Gentlemen, when we adjourned this morning we were dealing with hotels. I think our friend Mr. Walsh was asking certain questions. Are you through with that? You made your statement in full this morning, did you? You tried to fill us up, but you did not succeed.

Mr. WALSH: I gave a full statement.

The CHAIRMAN: Are there any other questions on the report itself, excepting the Montreal terminal? Mr. Deachman, I thought you had a question to ask this morning?

Mr. DEACHMAN: I think I had. I have some on the freight business. Are we back at the terminals?

The CHAIRMAN: No. We will take the terminals afterwards. If you have any questions dealing with the report, please ask them now.

Mr. WALSH: I want to ask a question on page 5 in connection with the ss. *Prince Henry*. On page 5 I notice the loss on sale of the ss. *Prince Henry* applicable to the expired service life of the vessel charged to income in 1938 amounted to \$668,195; and then on page 18 there is another item of \$994,261 charged to proprietor's equity covering another portion of this loss. I am not a railway accountant, so I was wondering why part of the loss was charged to the one account and part to the other account. Could I have some kind of explanation that an ordinary mind could comprehend?

Mr. COOPER: Yes. It comes back to the question of depreciation accounting which we discussed this morning. The figure of \$668,000 represents the depreciation applicable to the period during which the ship was in service. In other words, had we been doing what you contend we should do—had we been accruing depreciation—this is the amount which would have been charged to operating expenses, on a depreciation basis, during the period the vessel was in service. Our practice is to provide for the loss at the time units of property are retired from service. Generally, we reach the same result as if we followed depreciation accounting. On the depreciation basis, the loss is amortized over the life of the property in more or less equal instalments. Under retirement accounting, the loss is all taken up at the time the property is retired. On the theory that had we followed depreciation accounting \$668,000 would have been charged to the steamship operating expenses; when the vessel was sold we took that amount up as an operating expense. The balance of the loss—which has nothing to do with the operation of the vessel; it is in consequence of a change in policy—in my opinion, is clearly a capital loss, and under the provisions of the Canadian National Revision Act, losses of that nature are required to be charged to proprietor's equity. I do not know whether that is a fair explanation or not. Have I made clear what the \$668,000 is?

Mr. WALSH: Yes. I can understand the \$668,000 would have been accumulated if you had been setting aside so much, year by year, when this vessel was in operation, from your income; you would have accrued that amount towards retiring it.

Mr. COOPER: We would have charged that amount to operating expenses.

Mr. WALSH: And the balance represents the difference between that and what you presume the life of the vessel would have been, or the balance of the cost of that vessel; is that it?

Mr. COOPER: It represents the loss which was accelerated when it was decided to sell the vessel in advance of the expiration of its normal life. This vessel, in the ordinary course of events, would probably have been in service for twenty-five years. Under the depreciation basis, allowing for salvage, we figure

about 3.6 per cent per annum would be the depreciation charge. It is only eight years since this boat was purchased, and eight times 3.6 per cent of the service value makes up \$668,000.

Mr. WALSH: What was the purchase price of the vessel? Would it be represented by the addition of those two figures, \$994,000 and \$668,000?

Mr. COOPER: No. The cost of the vessel was \$2,162,000 and we sold it for \$500,000.

Mr. WALSH: Oh, yes.

Mr. COOPER: We charged \$668,000 to expenses and the difference to proprietor's equity.

Mr. KINLEY: What is the age of the ship?

Mr. COOPER: It has been in service eight years.

Mr. KINLEY: Eight years?

Mr. COOPER: Yes.

Mr. KINLEY: There is another one, the *Prince William*, which I saw by the press was sold at a very small figure. What was that?

Mr. COOPER: That was a boat which was sold the previous year. It was not sold during 1938. It was a very small boat out on the Pacific coast. It was not the same type as the *Prince Henry*.

Mr. KINLEY: How big was she?

Mr. COOPER: I do not remember.

Mr. KINLEY: Was she 500 tons?

Mr. COOPER: I do not remember. It was a very small vessel.

Mr. WALSH: What are they doing with this vessel the *Prince Henry* now? What are the new owners doing with it? Are they operating it?

Mr. COOPER: They are operating it now, I think, between Miami and Nassau.

Mr. WALSH: As far as the C.N.R. is concerned, it was not profitable to keep that boat?

Mr. COOPER: No.

Mr. WALSH: It was better to take the loss and sell it at \$500,000?

Mr. COOPER: That was the decision of the management.

Mr. KINLEY: That is a matter of opinion.

Mr. HUNGERFORD: She will cruise through the West Indies during the winter, from Miami; and she will cruise down the gulf of St. Lawrence in the summer.

Mr. WALSH: She could not have been profitably operated?

Mr. HUNGERFORD: We thought not.

The CHAIRMAN: Is there anything else?

Mr. WALSH: I also notice on page 5 an item in connection with the cost of exchange. What is the reason for the increase of \$493,000 in the cost of exchange?

Mr. COOPER: Sterling was more expensive in 1938 than it was in 1937. In 1938 sterling averaged about \$4.96 to the £1.

Mr. DEACHMAN: What price?

Mr. COOPER: The average was 4.96. It varied from \$4.67 to \$5.02.

Mr. DEACHMAN: There is a difference in that to-day.

Mr. COOPER: Yes. It is below par to-day; but early in 1938 it was selling around \$5.

Mr. DEACHMAN: Yes.

Mr. COOPER: A large amount of our interest is payable, of course, in sterling; and it is rather expensive for us to find sterling funds to discharge our interest obligations.

Mr. DEACHMAN: What was the total cost of the Senneterre-Rouyn branch line?

The CHAIRMAN: \$5,000,000.

Mr. COOPER: It is shown on page 5 in the paragraph under capital expenditure account. The total cost as of December 31st was \$5,315,000.

Mr. DEACHMAN: Is that the entire cost of the road?

Mr. HUNGERFORD: No, not quite.

Mr. ARMSTRONG: \$220,000 will clear it up.

Mr. DEACHMAN: Is it a paying proposition?

Mr. HUNGERFORD: We think it will be.

Mr. KINLEY: Has he answered the question?

The CHAIRMAN: No; he is not through yet.

Mr. DEACHMAN: Yes, I am finished with that.

Mr. KINLEY: May I say with regard to these ships that are being sold from time to time, that I think it is a matter of importance to us who are on the coast. If you want to close a railway line, you have got to go to the railway commission and you have got to do all sorts of things. The public interest has to be considered. When you sell a ship, part of the assets of the railway, you consult nobody. There are fears in this country as to the effect of any such policy in regard to that in future.

The CHAIRMAN: If I recollect rightly, I think in 1935 the matter came up before the committee here, and we made a recommendation—on the recommendation of the staff of the C.N.R.—that this merchant marine be disposed of. I am under this impression that there was either an Act of parliament or an Order in Council which was passed directing that.

Mr. KINLEY: Certain ships in the merchant marine.

The CHAIRMAN: Yes, it was on Order in Council.

Mr. KINLEY: Do you mean to say there is a regulation—

Mr. SMART: This is not the merchant marine. The merchant marine is disposed of individually. This boat belongs to the C.N.R.

The CHAIRMAN: Mr. Kinley is asking if the disposal of the boat we have disposed of has been authorized by Order in Council.

Mr. SMART: Certainly; each one.

The CHAIRMAN: That is what I thought.

Mr. KINLEY: I want to bring this to the attention of the president of the railroad. The directorates are interlocked; that is, the railway and the boat directorates of the Canadian steamships are interlocking directorates. There is a question of enthusiasm, I suppose, in connection with the seagoing part of the effort. But down in the maritime provinces, in the past, a man in order to get a job had to go to sea. If we dispose of our merchant marine, what are our unemployed going to do? Because there is nothing that the men can do on the sea if we put all the boats into foreign hands. What are they going to do? There is nothing that they can do except go fishing or go on the sea. There was a time when Nova Scotia was a way out in the forefront in sea transportation. It is getting so now that there is nothing left but a few jobs on *Lady* boats.

Mr. COOPER: Of course, it was part of the arrangement that this vessel should be operated for cruises down the St. Lawrence every summer.

Mr. KINLEY: That is this *Prince* boat?

Mr. COOPER: Yes.

Mr. KINLEY: There is another *Prince* boat in Halifax not working at all. I understand there has been a proposition that that boat be put into commission in connection with the world's fair in New York.

Mr. HUNGERFORD: That is the *Prince David*.

Mr. KINLEY: I want to say that we are very much interested in the preservation of the seagoing people on the Atlantic coast. If you keep selling these boats, one of these days someone will get the notion of selling the *Lady* boats or something of that kind; and then as a seagoing people we will not be there at all. I saw in the *Financial Post* where the C.P.R., on one boat, had one Canadian. He was a ticket seller. The rest were all outsiders. Then they tell you that the young people of this country should be employed. I know that the president of the C.P.R. is interested in the unemployed and the young people, yet he runs a boat and does not hire any Canadians.

Mr. DEACHMAN: They cost too much.

Mr. KINLEY: How are people who live on shore going to work if they cannot go to sea? I do want to bring it to your attention that this is of vital interest to us who are on the shore.

Mr. DEACHMAN: It is a question of wages, is it not?

Mr. KINLEY: No; the boys on my shore will go to sea at any price. All they want is a start. They are not particular how much money they get, but they cannot get on at all.

Mr. HUNGERFORD: All the boats in the West Indian service are in regular use; but so far as the *Prince David* being tied up at Halifax is concerned, we have not been able to find an opportunity to use her profitably.

Mr. HANSON: Are not the employees on these boats mostly all Canadians?

Mr. HUNGERFORD: Mostly all Canadians.

Mr. McKINNON: What would be the purpose of hiring somebody that was not a Canadian?

Mr. KINLEY: There is an agreement.

Mr. HUNGERFORD: I do not know whether it is a condition of the agreement, but we do employ some West Indians in the stewards' department. The regular crews are practically all Canadians.

Mr. DEACHMAN: There is a question I should like to ask, but I do not know whether it would be out of order, and that is in regard to maintenance of way and structures and maintenance of equipment. Would it be possible to have the operating ratios of these two items since the beginning of the depression in 1929?

Mr. ARMSTRONG: We could file a statement.

Mr. HUNGERFORD: I think we would have to file a statement on that.

Mr. DEACHMAN: Yes. My recollection of these ratios is that they are much higher on the C.N.R. than they are on the C.P.R.

Mr. HUNGERFORD: That comes into the old question of book-keeping.

Mr. DEACHMAN: It may be a question of book-keeping, sir, but it is also a question of cost. The money is there; it is spent.

Mr. HUNGERFORD: Yes, to a degree. It depends upon the requirements of the two systems and the policy in respect to maintenance at any given time.

Mr. DEACHMAN: In connection with the maintenance of way and structures, is that maintained to a higher standard than on the C.P.R.?

Mr. HUNGERFORD: I would not say that, because I do not know Canadian Pacific conditions.

Mr. DEACHMAN: Pardon?

Mr. HUNGERFORD: I do not know the conditions on the Canadian Pacific and I could not say that.

Mr. DEACHMAN: Would the comparative figures for the Canadian Pacific be available?

Mr. HUNGERFORD: I do not know that.

The CHAIRMAN: We have no means of forcing them in this committee to give any figures.

Mr. DEACHMAN: The figures are published.

Mr. SMART: They are not published in detail like the Canadian National Railway figures.

Mr. DEACHMAN: After all, we are interested in both railroads in Canada. Would it not be possible to have a comparative statement of the operations of the two roads? It would act more or less as a yard stick. You have it recorded, I think, in the Parker report, which some gentlemen will recall.

Mr. FAIRWEATHER: The figures are compiled and are published by the Dominion Bureau of Statistics, the figures with regard to the Canadian Pacific and the Canadian National. But one has to be very careful about making comparisons between the two systems because there are great differences between them and the raw figures do not tell the whole story.

Mr. DEACHMAN: You have a larger percentage of light traffic lines, have you not?

Mr. FAIRWEATHER: Yes.

Mr. DEACHMAN: And therefore on that basis alone—

Mr. FAIRWEATHER: That would mean that the operating ratio chargeable to maintenance of way and structures on the Canadian National would be higher than on the Canadian Pacific.

Mr. DEACHMAN: If you are measuring it, though, in dollars per mile of line it would not be?

Mr. FAIRWEATHER: Well, there again if you measure it in dollars per mile of line you have to take other things into consideration. Take, for instance, the fact that the Canadian Pacific Railway is an older railway on the average than the Canadian National and the physical structure of their property as expressed in rails, ties and ballast and steel bridges is on a higher plane than many of the lines of the Canadian National.

Mr. DEACHMAN: Is that not the main basis of the difference between the two?

Mr. FAIRWEATHER: The two combined constitute the main difference.

Mr. DEACHMAN: The maintenance ratio on the C.P.R. prior to the time of the amalgamation of the three roads was higher and, therefore, you had more deferred maintenance to make up?

Mr. FAIRWEATHER: It is quite obvious that the Canadian National lines that go to make up the Canadian National had been bled white before they came into the hands of the government. Naturally, all of that maintenance appears in the subsequent years and it inflates the maintenance expenses of the Canadian National lines, and it is an enormous sum of money.

Mr. DEACHMAN: Is there anything to this: In connection with the two railways the maintenance of way and structures per mile of line during the period of prosperity, say, from 1925 to 1930, was running along pretty closely; it was approximately the same for each road? And when the crisis came and business fell off the C.P.R. cut its ratio very much more quickly and more deeply than did the C.N.R.

Mr. FAIRWEATHER: Well, I would not want to be lead into a detailed statement of what the Canadian Pacific did to meet the emergencies of the depression.

I do know that in the period from 1918 up to 1929 the Canadian National Railways were spending large sums of money over a period of years to lift the maintenance standard of its property which had been allowed to deteriorate in the prior period. And that program was interrupted by the depression. From that time onward the maintenance of the property has been kept to a minimum consistent with safe operation. As to what the Canadian Pacific did in detail, I would not be a competent witness.

Mr. DEACHMAN: The figures record that attitude. But there is another frank question with regard to that; the fact that the C.N.R. ratio was not cut so deeply as the C.P.R. Was that a part of the government policy to maintain employment or was it really the policy of the Canadian National?

Mr. HUNGERFORD: I will answer that. In general it was the policy of the Canadian National Railways. We tried to balance maintenance to the requirements of the time. It is quite true that the lines of the Canadian National were greatly improved between 1918 and 1930, but in my judgment at 1930 they were not up to the full standard of the permanent lines of the Canadian Pacific at that time. Since then we have kept the maintenance as low as we could consistent with traffic requirements. That is always a matter of judgment, of course.

Mr. DEACHMAN: But because of deficiency in past times that ratio had to be carried at a higher rate relatively than the C.P.R.?

Mr. HUNGERFORD: Naturally, yes.

Mr. DEACHMAN: During the depression?

Mr. HUNGERFORD: Yes.

Mr. DEACHMAN: Does that same thing apply to the maintenance of equipment?

Mr. HUNGERFORD: To a degree. It is not quite the same.

Mr. WALSH: I should like to ask a question concerning the cash deficit on page 5. It says, "excepting charges to proprietor's equity under the provisions of the Canadian National Railways Capital Revision Act, 1937, as outlined on page 12, there was a deficit of \$54,314,196." Just what is the reference there?

Mr. COOPER: Page 12, did you say?

Mr. WALSH: Page 5 under "Cash deficit."

The CHAIRMAN: The third paragraph.

Mr. COOPER: May I refer you for a minute to page 12?

Mr. WALSH: Yes.

Mr. COOPER: The statement shows the profit and loss account for the year 1938 which is separated between line abandonments charged to proprietor's equity and the cash deficit. The system loss for the year of \$57,027,033.11 is divided, between the amount we require in cash from the government and losses of a capital nature chargeable to proprietor's equity. The reference on page 5—

Mr. WALSH: —is to that \$2,000,000?

Mr. COOPER: That is the amount which is excluded in arriving at the cash deficit.

Mr. WALSH: It represents line abandonments?

Mr. COOPER: Line abandonments including the capital loss in connection with the Prince Henry.

The CHAIRMAN: Which you will find on page 1 of the Canadian National Railways Securities Trust.

Mr. COOPER: The details are given on page 18, Mr. Walsh, if you want the details.

Mr. HOWDEN: I was going to direct attention for a moment to page 7 in connection with the abandonment of branch lines. I notice that six out of ten

are in Manitoba, and that of the six branch lines approximately 186 miles of C.N.R. track are abandoned to some 78 miles of C.P.R. track. Is it desirable, from the standpoint of the Canadian National Railways, to abandon this mileage, or why do we always seem to be getting a little the worst of it as compared with the C.P.R. in the carrying of mail and in the abandonment of track? It does seem that they are putting it over us a little bit. From the standpoint of Manitoba we are having 186 miles of lines abandoned as against some 74 all over the rest of the railway for the time being, I presume. I am from Manitoba, and I am curious to know if it is to the benefit of the railway to have all this mileage abandoned? I should like a little explanation of that.

Hon. Mr. HOWE: It is definitely an instruction of parliament.

Mr. HOWDEN: Why do we get the worst of it?

Hon. Mr. HOWE: They just happened to be working in your territory. They took up 35 miles of track in my territory. This is all co-operative planning. It is where two railroads are close to each other and when one can serve the territory they take up the other one.

Mr. YOUNG: Is that co-operation not like the horse and the rabbit?

Hon. Mr. HOWE: Considering all the disturbance up and down the country and that they have saved less than \$2,000,000 a year for both railways, I think if they had been allowed to run and had attended to problems within the railroads with the energy with which they have been worrying about this co-operation both railroads would be much further ahead to-day.

Mr. WALSH: I like the happy way in which the Minister of Transport suggests the saving of a mere \$2,000,000.

Hon. Mr. HOWE: It is not so much when you are playing with a gross income of \$350,000,000.

Mr. HOWDEN: I should like to be clear on these two points, Mr. Chairman. To begin with, am I to understand that only such portions of lines are abandoned by one railway as are supplied by the other railway?

Mr. KINLEY: By the same railway.

Mr. HOWDEN: No, the same railway would not have two branch lines running in the same district.

Mr. KINLEY: It might.

Mr. HOWDEN: They don't usually.

Mr. MCKINNON: All this is subject to the approval of the Board of Transport Commissioners, of course?

The CHAIRMAN: Yes.

Mr. HOWDEN: I should like to be informed if it is an understood fact that branches of this kind are only being abandoned when that district has some other means of supply. That is the first point I should like to have clearly fixed, and the other is that they are actually being abandoned because they are really uneconomic.

Mr. FAIRWEATHER: Answering those two questions: These lines are what the railways classify as functionally duplicate.

Mr. HOWDEN: I see.

Mr. FAIRWEATHER: That is, there will be two lines in the same territory and they will be near enough together so that in the judgment of the railway company the services of one of them is ample for all requirements.

Answering the second question: They may or may not be profitable in themselves. The railway may be paying its operating expenses and still be functionally duplicate and capable of producing a railway economy if it were abandoned. It is not necessary that the railway be losing money before it be classed as a functionally duplicate line. There are two tests; the first is, is the

remaining line of the two capable of reasonably fulfilling the transportation requirements as the railways see it; the second is, would there be an economy by abandoning one of those lines. Those are the two tests. Now, of course, the ultimate decision as to whether or not convenience and necessity can be properly handled by one railway is not in the hands of the railways themselves, it is in the hands of the Board of Transport Commissioners. And each one of these proposed line abandonments is in process of being submitted to the Board of Transport Commissioners for examination and approval or disapproval.

Now, with regard to the further point as to whether or not there are more Canadian National than Canadian Pacific lines in that particular list, it just so happens that in this year's work it fell out that way; generally speaking these functionally duplicate lines will average out when you take Canada as a whole, they will average out about fifty-fifty.

Mr. YOUNG: That is not my recollection of the last few years.

Mr. FAIRWEATHER: I said they would generally work out that way. I do not think there is any evidence that the Canadian National Railway has agreed to the abandonment of more functionally duplicate lines than the Canadian Pacific.

Mr. YOUNG: What is the total mileage so far abandoned by both roads?

Mr. FAIRWEATHER: It is a small amount, I think it is about 80 miles altogether that has been actually abandoned under the Canadian National-Canadian Pacific Act.

Mr. HOWDEN: There is 186 miles here in Manitoba alone.

Mr. FAIRWEATHER: Quite right.

The CHAIRMAN: That is proposed.

Mr. FAIRWEATHER: If you had the Saskatchewan figures you would see a preponderance of Canadian Pacific mileage in Saskatchewan.

Mr. KINLEY: Has the railway commission given any decision yet on the closing of the line from Middleton to Bridgetown?

Mr. FAIRWEATHER: Yes.

Mr. KINLEY: They have decided?

Mr. FAIRWEATHER: Yes, they have allowed it to be abandoned.

Mr. KINLEY: The whole of it, from Victoria Beach to Bridgetown and from Bridgetown to Middleton?

Mr. FAIRWEATHER: Right to Middleton, except that railway facilities in Bridgetown will be served by a spur from the Dominion Atlantic railway.

Mr. KINLEY: That is, the whole line is to be abandoned.

Mr. FAIRWEATHER: Yes, but at Bridgetown there will be a spur built.

Mr. BARBER: Right below that it refers to the 637 miles previously approved for abandonment; that 637 miles has not been abandoned yet?

Mr. FAIRWEATHER: No, they have not been abandoned yet. There is a small line from Linwood to Listowel in Ontario, and there is this Middleton-Bridgetown line that we have received the approval of the Board of Transport Commissioners very recently to abandon. Neither of these abandonments has been consummated yet. The actual lines that have been abandoned under the Act consist of the line from Saint John to Farnham in Quebec and from Cyr junction to Edmundston in New Brunswick. The balance of the lines are in process of preparing the necessary data for submission to the Board of Transport Commissioners, to find out whether or not they will permit abandonment to be proceeded with.

Mr. BARBER: I notice the next item, the Vancouver hotel. Would Mr. Fairweather make an enlarged statement as to what arrangements have been

made with the C.P.R. with respect to the abandonment of the C.P.R. hotel, what obligations have been assumed?

Mr. FAIRWEATHER: There was an agreement prepared between the Canadian National and the Canadian Pacific railways under which the Canadian Pacific Railway undertook to close its hotel in Vancouver as a hotel, and at the time when the Canadian National hotel is completed. When the Canadian National hotel is completed it is to be opened on behalf of both railway companies under joint arrangement.

Mr. BARBER: What about the property, does not the Canadian National assume some obligations in regard to the abandoned property?

Mr. FAIRWEATHER: The property which is abandoned, the hotel property—the Canadian National has a beneficial interest in that; in this way the property is to be disposed of or valued; if it is not disposed of in the first three years—and I may say that when it is disposed of it cannot be used for a hotel—but if disposed of in the first three years the Canadian National Railway participates in the price which is paid for the hotel. In the meantime, and as long as the abandoned hotel is kept in the proprietorship of the Canadian Pacific the Canadian National shares in the cost of keeping a watchman there and the cost of taxes.

Mr. BARBER: What would that amount to a year?

Mr. FAIRWEATHER: I would have to refresh my mind on that. Then, the agreement provides that if the hotel has not been sold in the first three years it will have to be demolished; that is, it could not be kept there idle. And then, if the property has not been disposed of, I think within seven years, there is a provision in the agreement that the value of the land shall be arbitrated and the Canadian National Railway will receive compensation as part of the general agreement. That compensation takes the form of interest upon a portion of the arbitrated value which will accrue to the benefit of the Canadian National throughout the whole period of the lease of the Canadian National hotel to the new operating company.

Mr. BARBER: If the hotel is demolished there will be a certain loss to the property; do the Canadian National assume a portion of that loss?

Mr. FAIRWEATHER: No.

Mr. BARBER: The C.P.R. assume the whole thing?

Mr. FAIRWEATHER: They assume the whole of that. The benefit that accrues to the Canadian National is the interest on the sales price of the property or the interest upon the arbitrated price of the property for the whole period of the lease; and, of course, that means, as I have already said, that as long as the proprietorship stays with the Canadian Pacific up to the limit of seven years the Canadian National has to participate in the cost of taxes and of a watchman and services of that kind.

Mr. KINLEY: How do you divide the operating deficits? Is it fifty-fifty?

Mr. FAIRWEATHER: If there is an operating deficit on the hotel company it will be divided fifty-fifty.

Mr. HOWDEN: Is it proposed to rent this or to hold it for sale?

Mr. FAIRWEATHER: During the period of the first three years it is within the general discretion of the Canadian National and the Canadian Pacific as to whether it is rented or sold, or what is done with it; but if something is not done with it in the three-year period that is satisfactory to the Canadian National, then it has to be demolished in order to save taxes.

Mr. BARBER: It cannot be used as a hotel?

Mr. FAIRWEATHER: No, neither can it be leased or sold to be used as a hotel site.

Mr. HUNGERFORD: It cannot be used as a hotel under any condition.

Mr. BARBER: Will the profits of the new hotel be divided fifty-fifty?

Mr. FAIRWEATHER: No. On any profits of the new hotel the first charge is interest upon an agreed valuation on the hotel property, and that goes three-quarters to the Canadian National railways.

Mr. HOWDEN: What is the agreed valuation?

Mr. FAIRWEATHER: It provides for interest up to \$280,000 a year. If you capitalize that you will get the value of the hotel, which is \$7,000,000 at 4 per cent. So that the first charge on the hotel profits is 4 per cent on an agreed valuation of the hotel, and anything over that is divided on a dividend basis between the Canadian National and the Canadian Pacific railways on a fifty-fifty basis. In order to round the thing out and prevent any misunderstanding; one-quarter of this rental goes to the Canadian Pacific railway and three-quarters of it goes to the Canadian National.

Mr. HUNGERFORD: I think you might put it this way; up to a minimum of \$280,000 a year, which represents interest on an agreed value for the purpose of the building, the Canadian National Railway gets three-quarters and the Canadian Pacific Railway gets one-quarter.

Mr. YOUNG: What is the investment of the Canadian Pacific in the new hotel?

Mr. FAIRWEATHER: They have no investment in it. Their interest consists of getting out of the old hotel and ceasing the competition and the loss that occurs to them. There are some other details of the agreement. For instance, there is the transfer of certain furniture from the Canadian Pacific to the Canadian National free, for use in the new hotel.

Mr. YOUNG: Did they have a profit on the operation of the present hotel?

Mr. FAIRWEATHER: Well, they had some profit, yes.

Mr. YOUNG: How much?

Mr. FAIRWEATHER: I do not know that it would be possible for me to disclose those figures. I haven't got them in detail anyway.

Mr. HOWDEN: Not very much.

Mr. FAIRWEATHER: I do not think in later years it amounted to a very great amount.

Mr. YOUNG: Would it amount to one-quarter of \$280,000?

Mr. FAIRWEATHER: I really would not want to say.

Mr. YOUNG: I think we ought to know something about that. If their profits are not as great as that, if they are not getting more profits from the operation of this hotel with no competition whatever—

Mr. FAIRWEATHER: Of course, from the Canadian Pacific standpoint they are getting out of the hotel operation which they have had there for a great many years, an established hotel.

Mr. YOUNG: But if they were not making profits out of it would not it be much better for them to abandon the hotel?

Hon. Mr. HOWE: There are two sides to it. The only chance of making any hotel profitable was to get all the first-class patronage of Vancouver and we had to consider whether we would do that when we opened our hotel; or take a loss which would have been inevitable. I think against an established business such as the Canadian Pacific Railway had.

Mr. YOUNG: Will this hotel be in operation during the next three years?

Mr. FAIRWEATHER: You mean, the new hotel?

Mr. YOUNG: The old hotel. Will it be operated? I am not talking about it as a hotel, but will that property be operated by anybody in the next three years?

Mr. HUNGERFORD: It may be, Dr. Young, if we can find a useful purpose for it.

Mr. YOUNG: Will it not be operated by the Canadian Pacific?

Mr. HUNGERFORD: No, it is a joint operation between the two companies.

Mr. YOUNG: Is it a fact that a laundry will be operated now on that territory?

Mr. HUNGERFORD: No.

Mr. YOUNG: That will not be operated?

Mr. HUNGERFORD: No; the laundry work has been transferred to the new hotel, and the new hotel company has made a contract with the Canadian Pacific and is making one with the Canadian National to do the laundry work for both the railways and the steamships in addition to the hotel work itself.

Mr. HOWDEN: There was an anticipation that the building might be useful for office purposes?

Mr. HUNGERFORD: That has been one suggestion. Disposition of the building is not very clear at the present time; it is one of the things that we have to consider.

Mr. YOUNG: What are the annual taxes on the old hotel?

Mr. HUNGERFORD: It seems to have varied from year to year; perhaps we have it.

Mr. FAIRWEATHER: I would not care to answer offhand as to what the taxes were.

Mr. YOUNG: Can you have it for the next time we meet?

Mr. FAIRWEATHER: I have a figure in my head but I should like to confirm it.

Mr. EMMERSON: Reverting back to page 5, to the capital expenditure account, I see you list different items such as "rolling stock purchased or built" and so on. Could we have a break-down as to what was purchased by the Canadian National Railways and what was built by them?

Mr. ARMSTRONG: During the year 1938 there were constructed in the Transcona shops 25 sand cars and 13 snowplows; the balance of the equipment was all constructed at various car and locomotive manufacturing plants.

Mr. EMMERSON: Private concerns?

Mr. ARMSTRONG: By private concerns.

Mr. EMMERSON: Then the total construction by the C.N.R. in their own shops was 25 sand cars and 13 snowplows?

Mr. ARMSTRONG: That is correct.

Mr. MCKINNON: If we can revert to the Montreal terminal, I should like to ask Mr. Fairweather a few questions.

The CHAIRMAN: I should like to finish the report, if you do not mind, and then we can return to the Montreal terminal. Are there any other questions on any other sections of the report?

Mr. WALSH: I want to find out about unemployment relief money. How much did the Canadian National Railways receive from the government under that item on page 6 "unemployment relief expenditures?" Is there any way of finding out exactly how much was advanced under that paragraph?

Hon. Mr. HOWE: I think we have that here, yes. Up to March 31, the amount paid or due or payable by the government was \$148,876. That is, excluding the Montreal terminals.

Mr. WALSH: Yes, outside the Montreal terminals.

Hon. Mr. HOWE: \$148,876.51; and commitments, \$109,911.51.

Mr. WALSH: This was not an item that was expended as items in previous years on the joint program of railway expenditures?

Hon. Mr. HOWE: No, we put in an item there for assistance to railway projects, part of the program to stimulate building, limited to the direct labour content only.

Mr. WALSH: Then, coming to this city that is known as Saskatoon, what was the cost of the new station at Saskatoon which is referred to on page 6 under that same item, "unemployment relief expenditures"? What is the total cost of that?

Hon. Mr. HOWE: About \$300,000, I believe.

Mr. WALSH: Of that amount how much was contributed by the dominion government from the unemployment relief fund?

Hon. Mr. HOWE: \$79,078.61 as of March 31st.

Mr. WALSH: Was this program part of the program that was discussed at the last session of parliament?

Hon. Mr. HOWE: Yes.

Mr. WALSH: Was the program slow to develop?

Hon. Mr. HOWE: Not the program discussed last year. I may say that the Saskatoon station is very much in the same position as the Vancouver hotel and the Montreal terminals, a project half built and shut down.

Mr. WALSH: When was it begun?

Hon. Mr. HOWE: 1929.

Mr. HUNGERFORD: I think 1928 or 1929.

Mr. SMART: 1928.

Mr. WALSH: When did they stop work on it?

Mr. SMART: In 1931 or 1932.

Mr. HUNGERFORD: Saskatoon?

Mr. SMART: Yes.

Mr. HUNGERFORD: I think we only worked two years on it, part of one season and part of another.

Mr. SMART: 1930?

Mr. WALSH: What time?

Mr. SMART: 1930 or 1931.

Mr. WALSH: Was there any particular reason for stopping the work at that time?

Hon. Mr. HOWE: Lack of funds.

Mr. HUNGERFORD: The depression, that is all.

Mr. WALSH: They needed a station at Saskatoon, I should think, and if they decided to build a station I should think they would go ahead and complete it.

Mr. YOUNG: A mistake was made in that particular case, just the same as I say a mistake was made with regard to the Montreal terminals. At that time they should have been providing work instead of stopping work, in 1930 and 1931.

Mr. WALSH: Has there been any increase in the passenger service or freight service business in Saskatoon to warrant the completion of the station, or is it just taking advantage of the opportunity of getting relief money expended in Saskatoon? I am not in any way opposing the building of this station because I do not know the conditions; I have never been to Saskatoon, but I know it was started and then stopped and now it is started again, and I am just trying to look for information.

Mr. HUNGERFORD: That work was first started and the track layout and platform were completed. The station building itself was not. The present work contemplates the erection of the station itself. The old station is very unsatisfactory for the accommodation of the public; space is inadequate and very badly arranged, and the new station will provide better facilities for the public. We have substantially the same number of trains operating there although it is possible that the total volume of passenger travel would not be quite as great as it was in former years, but it fluctuates from time to time.

Mr. BARBER: I should like to ask a question with regard to pensions on page 6. Do the pensioners depend on the revenues of the company, or has there been a fund built up sufficient to take care of it?

Mr. FAIRWEATHER: Are you speaking of the Social Security Act of the United States or are you speaking of pensions in Canada?

Mr. BARBER: Canada.

Mr. FAIRWEATHER: There are three funds in Canada for Canadian National pensioners. They are all contributory and the employees contribute a portion of their pay to the funds. In all three plans the Canadian National Railways also contributes to the cost of pensions.

Mr. BARBER: Will a fund be built up sufficient to take care of them, or will they have to depend on additional money?

Mr. FAIRWEATHER: Well, the answer to that question is this: you have to understand that the company's contribution, the company's portion of the cost is paid as it is required. The employee's portion of the cost is paid while the employee is working. Consequently the answer is with regard to the portion of the expense which is paid for by the employee a fund is being built up. With regard to the portion of the pension which is paid for by the company, that is charged into operating expenses as it is required.

Mr. YOUNG: What portion is paid by the employees?

Mr. FAIRWEATHER: Well, of course, that is a very difficult question to answer. I think originally the funds were intended to be divided fifty-fifty; that is, the Intercolonial and P.E.I. Provident Fund and the Grand Trunk superannuation fund, and I think the intention was they would be fifty-fifty, but it has not worked out that way and the company is bearing more than 50 per cent of the cost.

Mr. YOUNG: How much more?

Mr. FAIRWEATHER: Well, I would hesitate to say how much more.

Mr. YOUNG: Is it substantial or not; how much more?

Mr. FAIRWEATHER: You can see, under the provident fund itself, under the I.C.R. and P.E.I. provident fund the company is contributing a great deal more than the amount. I would say the company down there is contributing about \$1,400,000 and the employees are contributing about \$200,000 at the present time.

Mr. EMMERSON: That amount will be reduced as time goes on?

Mr. FAIRWEATHER: That fund is closed. There can be no new members to that fund. Now, with regard to the Grand Trunk fund, the contributions of the employees are again smaller in latter years than the contributions by the company. That is the old fund is a relatively small fund; it is closed. I think at

the present time there are 142 pensioners and I think less than 150 contributing members, a very small fund. The Grand Trunk fund, and then, of course, our general pension plan was put on a contributory basis in 1935. Prior to that time it was on a non-contributory basis, borne entirely at the cost of the company. In 1935 it was placed on a contributory basis.

Mr. YOUNG: Fifty-fifty?

Mr. FAIRWEATHER: No, I would not say fifty-fifty.

Mr. VIEN: Is there a fixed percentage of the wage paid by the employee?

Mr. FAIRWEATHER: It depends. In the I.C.R. and P.E.I. fund it was based on $1\frac{1}{2}$ per cent. In the Grand Trunk superannuation fund it is fixed at $2\frac{1}{2}$ per cent. In the Canadian National fund it is a variable amount, elected by the employee himself, and may be any whole integral per cent from 1 up to 5 per cent so far as the company matching is concerned; then, if the employee desires to contribute more, he can contribute up to 10 per cent of his salary, but the company won't match beyond 5 per cent.

Mr. VIEN: There are various benefits, I suppose, under these various plans?

Mr. FAIRWEATHER: In the I.C.R. and the P.E.I. fund the only benefit that you get is your pension during your lifetime after you retire, and that is calculated on $1\frac{1}{2}$ per cent of your average pay for the last 8 years multiplied by the number of years of service. In the Grand Trunk superannuation fund the benefit is also in the form of a pension and is calculated at the rate of one-sixtieth of the man's average pay for the best ten years. In the case of the Canadian National general fund, the benefits are in the form of a pension which one may get either in the form of an annuity on his own life or a joint and survivor annuity with himself and his wife at a lower rate, or a guaranteed annuity for a stipulated period of time.

Mr. HUNGERFORD: At a lower rate.

Mr. FAIRWEATHER: Also at a lower rate. Those are all figured out on an actuarial basis, so that the case is the same as if he had taken out a simple annuity. In the case of death before pension or leaving the service before retiring, there is provision for a refund of the contributions that the employee makes.

Mr. MAYBANK: With or without interest?

Mr. FAIRWEATHER: In the case of the Canadian National main plan, it is with interest; in the case of the I.C.R. and the P.E.I. and of the Grand Trunk superannuation fund, I believe it is without.

Mr. YOUNG: What is the rate of interest?

Mr. FAIRWEATHER: The rate of interest in the general fund is the rate of interest which is fixed at three-year intervals by the board of directors, but it cannot be lower than the average yield of dominion government bonds of, I think, a 20-year maturity. The present rate of interest is $3\frac{2}{3}$ per cent.

Mr. WALSH: Is there a retiring age?

Mr. FAIRWEATHER: Yes. There is compulsory retirement at age 65, and there is provision for retirement at age 60, with twenty years service, if totally incapacitated.

Mr. WALSH: There is no minimum retiring amount?

Mr. FAIRWEATHER: Yes, there is a minimum retiring amount of \$300 a year, in the general fund.

Mr. WALSH: One case was drawn to my attention which I think was rather deplorable. One of your parlor car men conductors was retired at the age of 65, just recently, at \$29 a month. No man can live on \$29 a month.

Mr. CAMERON: How many years' service had he?

Mr. WALSH: Thirty-five years' service.

Mr. FAIRWEATHER: After all, the pensions costs, under the non-contributory plan of the Canadian National, were mounting at a very high rate and something had to be done about it. They were put on a contributory basis. I suspect from what you say that this man did not elect to contribute to our fund; and the result is that what he got is what is called the service pension. That is, he only got his pension which had accrued to him up to the date of the change-over. If he had elected to contribute to the fund, his pension would have been larger.

Mr. WALSH: When they contribute to the fund, you suggest that it is on a certain percentage basis of their salaries. There are certain of your employees who are very poorly paid, as far as salary is concerned?

Mr. FAIRWEATHER: Yes.

Mr. WALSH: And they depend, for their income, chiefly on tips and gratuities of that nature?

Mr. FAIRWEATHER: Yes.

Mr. WALSH: Their retiring allowance then is very small, if it is computed only on their salaries.

Mr. MAYBANK: There is a minimum, is there?

Mr. FAIRWEATHER: There is a minimum. I want to say that in designing the Canadian National's pension plan, this point that you are raising, Mr. Walsh, was given very careful consideration. It was recognized that when you put a contributory pension plan into effect at a fixed rate of interest which is high enough to pay half of the cost of the pension, it becomes a real burden on the lower wage earner; he really cannot pay it. The result is that this plan of the Canadian National will give a minimum pension of \$300 a year to a man without his contributing. He does not have to contribute to get \$300 a year, \$25 a month. That is a sort of back log for him. If his financial conditions are such that he cannot contribute, that is his pension. If he, however, finds it possible to contribute, then he will increase his pension. I think myself that it is a very good arrangement. That is, the person who cannot afford—

Mr. DEACHMAN: That would be an Aberhart pension?

Mr. FAIRWEATHER: No, hardly that; because a man has to give service. In order to qualify, he has to give twenty years of loyal and faithful service to the company.

Mr. VIEN: Mr. Chairman, I would suggest that if the charge or the rate varies from $1\frac{1}{2}$ per cent to 5 per cent, and they have various benefits under different plans, based on an actuarial basis, there is not much ground for complaint that I can see. An employee who cannot pay or contribute $1\frac{1}{2}$ per cent of his salary is rather rare. It goes up to even 5 per cent. Take a man who earns \$1,000 a year, who has to pay 5 per cent on that, \$50; it will amount to a little over \$4 a month. It does not appear to me that it is very exacting for that employee to have to contribute \$4 or \$5 a month so as to be able to increase his pension when it is superannuated. Therefore, while I, like Mr. Walsh, pity the fate of the man who is retired at 65 years of age, and who finds himself only with the minimum of \$300 a year, we have also to consider that he had other options open to him—that of paying $1\frac{1}{2}$ per cent or that of paying more up to 5 per cent, which is the maximum. I suppose 5 per cent is about the maximum to be deducted?

Mr. MAYBANK: It is the maximum.

Mr. VIEN: It is?

Mr. MAYBANK: Yes.

Mr. VIEN: A maximum contribution of 5 per cent on the wages of a railway employee is not an unreasonable one. As a matter of fact, it is the one

that is being charged to all civil servants in the civil service of Canada. Therefore, I think one has to keep in mind that if the pension is small for the man who did not contribute, it is because he did not exercise the options that were open to him; and if it is already costing the railway services a million or more a year for the pensions which were in the fund, adding to those pensions without contributions from the railway employees would mean a heavier load on the railway company and a heavier deficit at the end of the year.

Mr. BARBER: I notice they cost the company \$4,159,798, an increase over the amount in 1937.

Mr. VIEN: Yes.

Mr. FAIRWEATHER: That is, for all of our plans.

Mr. MAYBANK: Have we not a number of employees, Mr. Fairweather, who are not moving forward towards any possibility of superannuation at all? We have here in the civil service a number of people who may have been employed for ten years, or perhaps it is a longer time, and they are still called temporaries, and they are not getting any superannuation; they are not looking forward to superannuation. Is there not something akin to that with the C.N.R.?

Mr. FAIRWEATHER: There is something like that. Our requirements for pension are that you shall have twenty years allowable service, with good conduct.

Mr. VIEN: That is permanent employment.

Mr. FAIRWEATHER: Permanent employment. If you happen to have been an old employee before the days of the change over—

Mr. MAYBANK: That was 1935.

Mr. FAIRWEATHER: That was 1935; that is fifteen years. The older employees must give fifteen years; the new employees must give twenty years.

Mr. MAYBANK: That is not the end.

Mr. FAIRWEATHER: Now I am coming to what you are saying. Anybody who gets under those deadlines will get a pension. If he fails of that requirement of fifteen or twenty years, he fails of pension benefit, except that our new plan does provide that if a man, let us say, came into the service and had nineteen years service, the contributory portion of the C.N. pension plan is available to him after he has had ten years service; and, consequently, he would have been able to contribute for nine years. The company will allow him a pension at the end of his service arising out of his contributions and the company's matching contributions, but he will fail to get the service pension or the basic pension.

Mr. MAYBANK: We have under that this situation, have we not: a large number of employees who appear—

Mr. VIEN: Seasonal or otherwise?

Mr. MAYBANK: No, not seasonal.

Mr. VIEN: Permanent?

Mr. MAYBANK: Yes, who at the very moment they were hired appeared to be permanent; it was apparent that they were going to be permanent employees. At any rate, as a year or two years went by, it was quite certain in everybody's mind that they were permanent employees and they have so remained permanent, working not seasonally but working every day of the year. They work for ten years. They make no contributions. In spite of willingness to make contributions, they cannot make contributions.

Mr. FAIRWEATHER: Not for the first ten years.

Mr. MAYBANK: Not for the first ten years?

Mr. FAIRWEATHER: That is right.

Mr. MAYBANK: How many years service must a person have before he can get pension? Is it not twenty?

Mr. FAIRWEATHER: That is, to qualify for the basic or the service pension?

Mr. MAYBANK: Well, at the age of 65?

Mr. FAIRWEATHER: At the age of 65 he would have to have twenty years service if he is a new employee.

Mr. MAYBANK: A person entering the service at 35 makes no contribution until he is 45?

Mr. FAIRWEATHER: Right.

Mr. MAYBANK: And he is expected to retire twenty years thereafter and is supposed to make a contribution for twenty years and it will be matched?

Mr. FAIRWEATHER: Yes.

Mr. MAYBANK: And they will get their pension based on a percentage of their whole time based on a percentage of their last eight years or what?

Mr. FAIRWEATHER: No. Under our plan an employee such as you describe would get his basic pension of \$300 a year; and then he would get an annuity purchaseable with his contributions and accrued interest plus the company's contributions calculated on an actuarial basis; and the two things together would make up his pension.

Mr. VIEN: But that is based on the number of years' service, is it?

Mr. FAIRWEATHER: It is related to it, because his earnings are related to his years of service.

Mr. VIEN: Take the case suggested by Mr. Maybank, that of a person getting into the service at 35 years of age, at 45 years of age he is permitted to contribute to the plan?

Mr. FAIRWEATHER: Yes.

Mr. VIEN: And when he retires at 65 years of age, he has his basic pension of \$300.

Mr. FAIRWEATHER: That is right.

Mr. VIEN: And would the pension paid to him be based on the thirty years that he has been in the employ of the company or on the twenty years he has joined the plan?

Mr. FAIRWEATHER: Neither. It would be based on how much money he had in the trust fund.

Mr. VIEN: I see. Then when he joins at the age of 45, after ten years of service, is he eligible to contribute to the fund for the ten years that he has already served?

Mr. FAIRWEATHER: No. There is the point. For that ten years—

Mr. VIEN: He gets the basic pension?

Mr. FAIRWEATHER: He gets his basic pension and he gets that without any contribution; but he has to give the service to qualify for it. Coming to your point, there is a relatively small proportion of men who come to age 65 and fail of pension. We pensioned last year 991 employees; I would hesitate to place the figure as to how many men went out of the service without pension, but it would only be a small fraction of that number. It might be perhaps 70 or 80 men or something like that.

Mr. BARBER: What portion contribute?

Mr. FAIRWEATHER: I beg your pardon?

Mr. BARBER: About what proportion would be contributing towards pension?

Mr. FAIRWEATHER: Of those who are eligible to contribute?

Mr. BARBER: No, of the employees.

Mr. MAYBANK: There are two different pensions.

Mr. VIEN: Take the 900 odd employees who were pensioned last year. How many of them were contributory and therefore getting benefits under your plan?

Mr. FAIRWEATHER: Under the contributory operation?

Mr. VIEN: Yes.

Mr. FAIRWEATHER: Of course, they all get their service pension. I would not want to say offhand, but I think a little better than 50 per cent of them, perhaps 60 per cent.

Mr. VIEN: But it will increase from year to year?

Mr. FAIRWEATHER: Yes.

Mr. EMERSON: Would that apply throughout the system?

Mr. FAIRWEATHER: Yes, it would apply throughout the system. There are about 7,000 employees in the I.C.R. & P.E.I. fund.

Mr. DEACHMAN: How do you account for this: On the general expense item on page 17 the pensions are given as \$4,022,000, and last year they are given as \$4,159,000?

Mr. COOPER: Some of the expenses is charged to the express department, some to the telegraph department, some to hotels and subsidiary companies. The figure of \$4,159,000 is the combined total.

Mr. DEACHMAN: This covers the whole and the other is purely a matter of railway operation.

Mr. MAYBANK: These questions are not quite relevant to the one I asked. Coming back to my question, I am thinking of people who probably will be retired before 65. Some people age much more quickly than others, particularly in the case of women. The persons whose cases I was citing are those who have probably been contributing for ten years; what would they get out of that if they were forced to retire?

Mr. FAIRWEATHER: If they were at age 60 with 20 years of service they may retire upon a medical officer's certificate. If they are below age 60 and have thirty-five years of service they may retire. That is, if you have thirty-five years of service you may retire if you are sick, although you are not age 60. But if you are age 60 or upwards you must have twenty years of service.

Mr. MAYBANK: What are the reasons for not permitting permanent employees, as they appear to be, to contribute during the first ten years?

Mr. FAIRWEATHER: Because you give them a basic pension free.

Mr. MAYBANK: Yes, but you only give them that if they reach the age of 65.

Mr. FAIRWEATHER: Yes, but after all, the railway pension plan is designed to promote long and faithful service. It is compensation for long and faithful service.

Mr. MAYBANK: You must have a great many people who drop out short of age 65 and cannot carry on. I am not thinking so much of men as I am of women.

Mr. FAIRWEATHER: They get their contributions back with accrued interest.

Mr. MAYBANK: Yes, but for ten years they have not been allowed to make any.

Mr. FAIRWEATHER: No, but they have their salaries.

Mr. MCKINNON: Take the case of a person who is employed for ten years but not consecutively?

Mr. FAIRWEATHER: Yes.

Mr. McKINNON: That person may be employed probably three or four months of the year; how do you base the ten years, on 12 months' service?

Mr. FAIRWEATHER: No, it is ten years from the date of their last entry into the service; consequently a man who came into the service and worked seasonally, supposing he joined the service to-day, in ten years from to-day he would be eligible to contribute, although he might have actually worked only five years.

Mr. KINLEY: Mr. Chairman, may I have a report on the disposition of the case of a railway man in my riding named Millege Weagle, and the file?

Hon. Mr. HOWE: You may have the report but not the file.

Mr. KINLEY: I should like to have the report to-morrow. It is a basic pension but there is a principle involved which I think is important. I want that report to-morrow morning.

Hon. Mr. HOWE: I presume the officers will give you that report.

Mr. FAIRWEATHER: What is the name?

Mr. KINLEY: Millege Weagle.

Mr. FAIRWEATHER: Is that an I.C.R. & P.E.I. provident fund case?

Mr. KINLEY: No, it is a basic pension. There is quite a file on it.

Mr. SMART: It would be the Halifax and South Western.

Mr. FAIRWEATHER: That is Canadian Northern.

Mr. WALSH: Could you refer to page 6, cartage service?

Mr. KINLEY: At the meeting to-morrow I should like to have that. There is a very important principle involved in that pension and I do not think the man has been treated fairly.

Mr. ARMSTRONG: That was recently granted, was it?

Mr. KINLEY: Granted?

Mr. ARMSTRONG: It was recently dealt with.

Mr. KINLEY: Within six months.

Mr. ARMSTRONG: You say his name is Weagle?

Mr. KINLEY: Yes, Millege Weagle.

Mr. VIEN: There was a case of hardship which came to my knowledge wherein the regulations worked havoc with a family. I do not blame the system, but I think it could easily be corrected. Let us take the case of a man of 63 or 64 years of age who dies before being retired; in that case his widow is without pension. I think it should be possible to correct that so as to enable the widow of an employee who dies without being pensioned to benefit somehow under the benefit plan. In one case the employee had been in the employ of a company for almost forty years. He was a station agent when he died, but he died just a few months before being pensioned and his widow received only the refund of his contributions to the fund which amounted I think to \$600 or \$700 all told.

Mr. FAIRWEATHER: That is undoubtedly a point. I will say this, that the Canadian National pension plan is the most generous pension plan of all that I have examined in that regard. You take the United States Railroad Retirement Act, this option of a widow's pension has to be given, in their case, five years in advance of retirement, or it has to be based upon a medical certificate that the man is in good insurable health. In the case of the Canadian National Railway a man has the option of changing his pension into a joint and survivor annuity right up to the minute of his retirement or death. And he has the maximum degree of facility for doing it. If he does not do it, then, of course, his widow is refunded the contributions. I do not know how we could make it automatic.

Mr. VIEN: I would suggest that after 60, if an employee dies after a certain number of years' service, his widow should have the option of electing between the refund of his contributions and her pension under the plan. I suggest you could probably correct some hardships in that way. I am not blaming the plan as it is at present, but I think it could be improved in that direction.

The CHAIRMAN: Are there any other questions, gentlemen?

Mr. YOUNG: I should like to ask the management how this pooling arrangement is working out. First, how much pooling is there and what has been the experience over the years with it?

Mr. FAIRWEATHER: You are referring to passenger train pooling?

Mr. YOUNG: Yes.

Mr. FAIRWEATHER: Passenger train pooling consists of all the passenger revenues between Quebec and Toronto and between Ottawa and Toronto.

Mr. MAYBANK: That is the full extent of it?

Mr. FAIRWEATHER: That is the full extent of it. It produces an economy, a substantial economy, as compared with competitive conditions which existed previously. I think on the whole it is working out reasonably satisfactorily. Certainly it is producing economies, and it has eliminated a certain amount of duplicate competitive train mileage.

We have at present under study the idea of extending the passenger train pooling arrangements, as referred to in the annual report, to include all duplicate competitive passenger train service in Canada.

Mr. YOUNG: Will you explain to the committee just how the revenues are divided between the two companies?

Mr. FAIRWEATHER: The revenues are divided between the companies equally.

Mr. YOUNG: Equally?

Mr. FAIRWEATHER: Equally.

Mr. MCKINNON: Regardless of what equipment is used?

Mr. FAIRWEATHER: The principle of the pool is to treat the revenues and expenses separately. Each company gets 50 per cent of the pooled revenue and each company is responsible for the same proportion of service as it had been rendering prior to the pool.

Mr. MCKINNON: The point I have in mind is this: The train that goes out to Toronto at night has on it, we will say, a C.N.R. locomotive and probably nine or ten Canadian National cars.

Mr. FAIRWEATHER: We would not have a C.N.R. locomotive on that train; it would be a C.P.R. locomotive. There might be C.N.R. cars on it.

Mr. MCKINNON: If they have C.N.R. cars on that train would the revenue be split fifty-fifty?

Mr. FAIRWEATHER: It is not from that particular train, it is the revenue of all the tickets that are sold in and through Ottawa going to Toronto. It does not matter what train you move on, the revenues are pooled. You may go between here and Toronto on a non-pooled train and still the passenger revenue is pooled. The revenues are pooled irrespective of the train on which you move. And the revenues are divided fifty-fifty, that being the proportion that each company is satisfied that it had before the pooling arrangement, not on any one particular route, but with regard to the whole pooled services.

Mr. VIEN: With respect to the equipment?

Mr. FAIRWEATHER: Well, with respect to the equipment, trains and engines, and train crews and things of that character, each party is responsible for the same proportion of train miles and the same proportion of car and locomotive

miles and everything else like that as it had been furnishing under the competitive conditions prior to the pool.

Mr. VIEN: Would that be fifty-fifty?

Mr. FAIRWEATHER: Not necessarily, no; the C.P.R. had more service prior.

Mr. YOUNG: Supposing that one service was going down and the other coming up; we will say the Canadian National had a bigger proportion before, but suddenly the people decided they wanted to travel via the C.P.R.

Mr. FAIRWEATHER: Once the pool is made the thing is fixed.

Mr. YOUNG: Nothing is taken into consideration later on?

Mr. FAIRWEATHER: No. Once the thing is pooled it is fixed.

Mr. YOUNG: What about the railway itself, the actual road over which it runs; how is that adjusted?

Mr. FAIRWEATHER: Well, that is adjusted through the basis of train miles. Each company has to run its proportion of train miles, car miles and locomotive miles; it has got to repair its proportion of locomotives; it has to repair its proportion of cars and it has to provide its proportion of train miles. Everything is all set up on a formula.

Mr. YOUNG: I am talking about the tracks.

Mr. FAIRWEATHER: The tracks come into the train miles.

Mr. MCKINNON: Each company runs over its own road bed?

Mr. FAIRWEATHER: Each company runs over its own road bed, except getting into and out of Montreal, two pool trains run to and from Windsor street station and divert at Dorval to and from the Canadian National. They run over the Canadian Pacific from Windsor street station out to Dorval station. The party on whose tracks the train is operated operates the engine and provides the train crew.

Mr. VIEN: But from Montreal to Toronto and from Ottawa to Toronto most of the road used is the C.N. road, isn't it?

Mr. FAIRWEATHER: No. Between Ottawa and Toronto the Canadian Pacific road is used almost entirely for both trains.

Mr. VIEN: But to Brockville?

Mr. FAIRWEATHER: I mean between Ottawa and Toronto. There is a train that goes from Ottawa over C.P.R. tracks to Toronto and there is another one that connects with the C.N.R. at Brockville. Cars on the one that connect at Brockville, continue on the Canadian National line to Toronto. The other one goes down to Peterborough and goes through on the Canadian Pacific. Now, between Quebec and Montreal the pool services are all run on the Canadian Pacific rails. Between Toronto and Montreal the pool services are run partly on Canadian National and partly on Canadian Pacific, mostly on Canadian National.

Mr. VIEN: And each company maintains its road bed?

Mr. FAIRWEATHER: Each company maintains its road bed. You see, the road bed use is covered by train miles and car miles and that way it is adjusted.

Mr. VIEN: And it is through that policy that a balance is maintained between the two roads?

Mr. FAIRWEATHER: Oh, yes.

Mr. HOWDEN: I want to come back to this rolling stock for a minute. I guess this is as good a time as any to ask the management what their policy is with requirements for rolling stock; if it is still the policy of the company to build some of the rolling stock and buy other rolling stock, and if there is a prospect of our getting any more building? The reason I mention this is because perhaps the largest shop on the system is out where I live, in Transcona. They

have a great many employees there and a very large proportion of them are idle most of the time, and yet I have reason to believe there is a good deal of work to be done in that shop. It may be that the company cannot afford to do it just now, but there is usually a wail from these people that they are in a position, both as to themselves and as to the equipment in the shop, to build any equipment that is required by the railways. They have told me many many times that they were in a position to build locomotives, they build some engines, and there is very great exception taken by them to the government sending contracts out to the contract car shops when their own employees are idle a great deal of the time. It has been the policy of the government in the past, I believe, to make more or less of a division, and the regular employees do feel that they have been getting a little the worse of the deal. If the management is in a position to make any statement along those lines I would be glad to hear it.

Mr. HUNGERFORD: It was formerly the practice to do repair work in the government shops, and also from time to time to let a portion of the repair work out to the contract shops. That has not been done for many years. The repair work is done entirely in our own shops. Our own shops, generally speaking, are not equipped to build certain kinds of rolling stock advantageously, notwithstanding what the men say.

Mr. HOWDEN: But they have built rolling stock at Transconna?

Mr. HUNGERFORD: Of certain kinds.

Mr. HOWDEN: Yes.

Mr. HUNGERFORD: But it is the policy to place equipment of that kind for which our shops are well equipped to do in our own shops, and on the other classes of equipment to place it in the contract shops.

Mr. MAYBANK: Taking up two or three words there; is it the policy to give the publicly assisted shops everything that they can advantageously do, or a part of that only?

Mr. HUNGERFORD: Very largely, Mr. Maybank.

Mr. MAYBANK: Do we contract out to any extent work that we could advantageously do?

Mr. HUNGERFORD: No, we do not.

Mr. MAYBANK: That, of course, is what the claim is. They say that such-and-such a piece of work has been farmed out and we could certainly do it here. That is what they say.

Mr. HUNGERFORD: For instance, just to illustrate the case: For years past we have placed orders for refrigerator cars in Transconna, and sometimes in some of our other shops. The Transconna shop is well equipped for that purpose, but it would be folly, in my mind, to have box cars built there, cars of the modern type, because it is simply an assembling proposition. Nearly all of the material is fabricated and most of it would have to be shipped to Winnipeg and simply put together and in all probability we would have to pull the cars back east. You would not have much economy in doing that.

Mr. MACKINNON: You have never built any locomotives there?

Mr. HUNGERFORD: A few; we have also built a few at one of our other shops.

Mr. MACKINNON: Is it advantageous to build locomotives in the Transconna shop?

Mr. HUNGERFORD: I think that unless some unusual condition arises—as a matter of fact, we have bought very few locomotives for several years back.

Mr. MACKINNON: You have the equipment to build locomotives at Transconna?

Mr. HUNGERFORD: We can, with a certain amount of difficulty.

Mr. VIEN: How is this system fixed with respect to rolling stock replacements? A few years ago, if I mistake not, parliament voted \$15,000,000 to provide for modern equipment to the two railway systems. If memory serves me right, that was in 1933 or 1934. Is that right, Colonel Smart?

Mr. SMART: Yes.

Mr. VIEN: How is the system now fixed with respect to its requirements? Has it all the rolling stock it desires of the modern type, or would it require anything similar? I am sure the minister will relish the idea of putting in the budget or in the estimates another \$15,000,000 to help you.

Mr. HUNGERFORD: In my opinion the Canadian National Railways is reasonably well equipped with locomotives to take care of the business that is in sight, but it will be necessary from time to time possibly for us to replace some units when they wear out. They are wearing out continuously, and we have to retire a certain number every year. A certain proportion of new equipment will have to be purchased from time to time.

Mr. VIEN: For the time being you feel that you are sufficiently provided for?

Mr. HUNGERFORD: We have some orders out now.

Mr. HOWDEN: When it is feasible to build that equipment in the company's shop is there a prospect of them getting the opportunity?

Mr. HUNGERFORD: I beg your pardon?

Mr. HOWDEN: I say, when it is feasible to build these replacements in your own company shops is there any prospect of them getting the business to do there.

Mr. HUNGERFORD: It all depends on the class of equipment, Mr. Howden.

Mr. HOWDEN: I say, when it is feasible.

Mr. HUNGERFORD: I do not mind saying we have gone to a great deal of trouble, I would not say expense, a good deal of difficulty and trouble to place work of that character in our own shops. In other words, we have placed orders there when it has involved long delays in having it turned out. We could have got it from contract shops much quicker, but we have tried to meet the situation reasonably well. If a particular shop is reasonably well equipped to perform the work we give them the work. As a matter of fact we have made very serious efforts to do it from time to time.

Mr. EMMERSON: There were certain snow-plows that were built in the Transcona shops, as I understand it?

Mr. HUNGERFORD: Yes.

Mr. EMMERSON: Where did those snow-plows go, to what part of the country?

Mr. HUNGERFORD: Oh, they were sent all over, some went as far east as Moncton, I believe.

Mr. EMMERSON: Were most of them taken east?

Mr. HUNGERFORD: I cannot remember the particulars.

Mr. EMMERSON: Were there not 17 of them sent out to Vancouver?

Mr. HUNGERFORD: There may have been.

The CHAIRMAN: Shall we refer to the Montreal terminal?

Mr. WALSH: No. To the cartage service. I would like to have a little more complete explanation of that, touching these points: What class of expenditure was involved in putting into effect this service; and was the equipment for this service purchased new or was it all taken over from the old company—that might have been involved with to what extent were economies effected by the development of this new service? That will be found at the bottom of page 6.

Mr. FAIRWEATHER: Well, I gather that what you want is a statement of the capital expenditure in that new venture?

Mr. WALSH: Yes.

Mr. FAIRWEATHER: How many trucks were purchased new, and how many were purchased second-hand?

Mr. WALSH: Yes, just a list of those. What I am trying to find out is whether this involved any outlay of capital expenditure to any great extent, and if the management feel that they have been able to effect a real economy in the thing, considering the capital that has been invested in it.

Mr. FAIRWEATHER: I can speak to that very positively. Before this particular venture was entered into I was charged with making a very thorough analysis of it, and we did that, and we made estimates of the cost. We also procured figures from the contractors as to what they were willing to renew their contract at, and they wanted an increase. They said they could not carry on at the old contract rates; and based on the forecast which we made we negotiated with the Canadian Cartage and Storage Company for the acquisition of their property and for the lease for a limited period of time of their garage and stables. We took over from them a number of horse-drawn vehicles and a number of partly used trucks, some of them were almost new and some of them were as old as ten years. After we had acquired the property we found it advantageous,—as a matter of fact we knew it and had made provision for it in the estimates,—we had to buy some additional equipment. But I am happy to say that the estimates we made of the result of this particular operation proved to be quite accurate, and there has been a handsome return on the capital which was invested in the property, quite a handsome return. And in addition to that, we not only reduced our costs on cartage services in Montreal, but we also improved the service as the shippers have found out; so that we achieved an economy in operation and we also improved our service. If you would like the figures they can be supplied as to what it amounts to, the amount of capital is not very great.

Mr. WALSH: It represents a profitable venture as far as you are concerned?

Mr. FAIRWEATHER: It is a highly profitable venture. The total amount of capital involved in this thing is less than \$200,000.

Mr. WALSH: There might be the possibility of extending that type of service to other points.

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Mr. WALSH: There might be the possibility of extending that type of service to other points.

Mr. FAIRWEATHER: That is under study.

Mr. MCKINNON: On page 6 there is an item pertaining to Trans-Canada Air Lines which says:

During the year additional calls aggregating 47 per cent, or \$2,350,000 on the capital stock (\$5,000,000 of the Trans-Canada Air Lines were met by the Canadian National Railway Company).

None of that I presume would go to interest other than the Canadian National. The Canadian National is absorbing all of that, is that right?

Mr. FAIRWEATHER: Yes, that is correct.

Mr. YOUNG: What benefits have accrued to the railway companies under bill 31 of last year having to do with agreed charges?

Mr. HUNGERFORD: Nothing yet, but developments are under way. The matter is necessarily quite a complicated one to get under way and started. There has been a joint committee of the traffic officers of the two railways that

have been working on it continuously since the bill was passed. Very substantial progress has been made in certain directions but no agreements have been consummated as yet.

Mr. YOUNG: No agreements consummated?

Mr. HUNGERFORD: Not yet, none have yet been brought to consummation, but there are a considerable number of them on the way.

The CHAIRMAN: Has the Board of Transport Commissioners issued their regulations?

Mr. HUNGERFORD: Yes.

Mr. VIEN: I speak from memory, but I thought that the board's regulations which had first been issued were later, two or three weeks ago, suspended—I do not know whether I am correct or not as to that.

Hon. Mr. HOWE: I do not think so, Mr. Vien. The Act was promulgated some months ago, three or four months ago, and the board's regulations were issued.

Mr. YOUNG: Is it anticipated that there is quite a field there for betterment?

Mr. HUNGERFORD: We expect very substantial developments from it.

Mr. VIEN: If I am not mistaken I saw something in the paper two or three days ago intimating that the system contemplated establishing bus and truck services from the city of Quebec to the lake St. John territory.

Mr. FAIRWEATHER: That is correct, a bus service.

Mr. VIEN: Would it be along these lines, through Roberval and Chicoutimi and then through the national park?

Mr. FAIRWEATHER: No; there are two highways within the St. John territory, one through the park, and one a little to the east of the park, and the application we now have in, relates to the main highway which runs east of the park, the short route.

The CHAIRMAN: Through the transmission line?

Mr. FAIRWEATHER: Yes; we also contemplate, when public convenience and interest warrants service to the park, to apply for that, because we feel we should be the people to furnish that service.

Mr. VIEN: I agree with that. I think many of the bus and truck lines that have been established would be a better utility for the public if the railway were the ones to undertake them. Then, with regard to suburban services, I believe, subject to correction, that the railways might find it more economical to run a bus and truck service than their rail services, and they would have the additional advantage of pick-up and delivery services from door to door.

The CHAIRMAN: Shall we revert to the Montreal terminal?

Mr. DEACHMAN: Mr. Chairman, when we were discussing this before I had asked Mr. Fairweather for some comment on the advantages of the new terminals in the way of freight service. I want to quote here one or two sentences which I ran across to-day, and which I think are interesting. They are taken from the Coolidge report of 1933. He says:

As Mr. Loree has well expressed it, "the large terminal station and the large terminal yard are the graveyard of cars."

Then follows this comment:

If such items as surplus cars, Sunday and holiday delays, and delays due to repairs be eliminated from the calculations, 86 per cent of the time is chargeable to terminal operations and only 14 per cent to the line haul.

He goes on to say this:

More expeditious and regular movement of freight is therefore, conditioned very largely by the adequacy of terminal facilities and the effectiveness shown in their use.

Another comment is:

Terminal costs form a large part of the aggregate cost of furnishing transportation service. The lay public think of railroads too exclusively in terms of road mileage.

Another comment is:

The terminal is a competitive device of major importance. It is difficult for laymen to appreciate how all-important it is for carriers to have terminal facilities as good as those which their competitors enjoy. The explanation rests in the controlling influence which terminal facilities exert over the securing of the line haul. Nearness to the wholesale centre of a city and to the chief industrial districts and direct connection with as many large industrial establishments as possible are of decisive importance in the securing of business.

Now, in view of these comments I should like to have some further information from Mr. Fairweather in regard to the general principle of larger expenditures upon terminals, and also upon the particular efficiency of this terminal in so far as the handling of traffic is concerned and in the advantages of drawing more traffic to the line through providing modern terminal facilities in Montreal.

Mr. FAIRWEATHER: Well, that is a mouthful, but it is very pertinent.

Mr. DEACHMAN: It is such a mouthful I thought possibly you might want to answer it in the morning.

Mr. FAIRWEATHER: That is as the committee may desire.

Mr. WALSH: I believe a large part of it Mr. Fairweather answered in the elaborate statement he read to the committee this morning.

Mr. DEACHMAN: This is a statement by the commission in the United States on this question of applying sound principles, and I wondered if Mr. Fairweather could apply it to Montreal and perhaps to other points.

Mr. WALSH: I think Mr. Fairweather covered it very elaborately in the report he read this morning. I think the report you read this morning covered a full and complete justification for the building of the terminal station and the completion of the terminal plans.

The CHAIRMAN: Can we take it for granted that you agree with it?

Mr. WALSH: I do not agree with the work. I intended to make my position perfectly clear before the committee rose; but I agree with the suggestion that terminals should be developed more adequately than they are in Montreal at the present time.

I am a very strong believer in the union station and union facilities for terminal purposes, but I do not think this is the proper moment from an economic point of view, considering the financial stress generally, to undertake capital expenditures of that nature. That is the only objection I have to it. If we were in a flourishing condition financially I would say, by all means go ahead and build your terminal; but I do not think Montreal is being fairly dealt with in going ahead with this plan without a proper consultation with others who are directly interested. I am think of the C.P.R. in particular. And now, one of the questions I had to ask in connection with this was this: was this whole matter discussed by this committee that is presumed to be working on a plan of co-operation? If there is one feature in which railways could co-operate it is in terminal facilities and union station plans. That is one place where they

can co-operate, and if Mr. Fairweather will agree with me in this he will say that terminal facilities and stations are not a contributing factor to a profitable operation of railways; that is, they do not give you a good profit; they are always operated at a loss.

Mr. DEACHMAN: Mr. Chairman, the quotations that I gave are directly contrary to that assertion, and I should like to have a further expression of opinion from somebody.

Mr. WALSH: No, not contrary to what I am saying at all; it bears out what I am saying.

Mr. DEACHMAN: No, not at all.

Mr. WALSH: I go a step further and say, it is a necessary complement to any railway, in fact to any transportation system to have what is recommended there. It is quite a necessary complement, but it is never a complement that is going to be operated at a profit; it is always going to be operated at a loss.

Mr. DEACHMAN: That is directly contrary to this statement. This is what he says:—

Terminals exert a controlling influence over the character and cost of transportation service.

Then he goes on to say:—

The explanation rests in the controlling influence which terminal facilities exert over the securing of the line haul. Nearness to the wholesale centre of a city and to the chief industrial districts and direct connection with as many large industrial establishments as possible are of decisive importance in the securing of business.

If you have good terminals, in other words, you have greater facilities for doing business and you draw more traffic.

Mr. VIEN: I think it has been recognized, and it was submitted to the royal commission who investigated the railways that wherever it is possible, union stations and terminal commissions taking the control of all the railway operations within a terminal area are desirable; but Mr. Walsh has put the following question: have the two railways been consulting each other and have they consulted competent authorities to find out whether this system is best for Montreal? I might state in this regard that this question has been studied since 1927. I was deputy chief commissioner of the Board of Railway Commissioners in 1927 when we directed the Canadian National Railways to provide plans and specifications for adequate terminal facilities at Montreal. Immediately after that the interested parties were convened before the board and it took two years, from 1927 to 1929, for the interested parties to file their suggestions, their individual suggestions, and at that time the Canadian Pacific Railway refused to join in the construction of the terminal and the tunnel, and suggested that we should use Windsor station for westbound trains and Place Viger for eastbound trains. The Canadian National Railways went very thoroughly into this question. They had experts from New York and elsewhere and their reports were filed with the Board of Railway Commissioners.

Then, other interests were also consulted, the Montreal tramways, the city of Montreal and other interests who retained the services of Mr. Williamson and the old Armstrong plan as improved by Mr. Williamson was also submitted, involving some 20 miles of subways, a subway from Montreal south to Montreal north, from a certain point west on Atwater street to a certain point east on St. Denis or something of that kind. It was at that juncture that Mr. Dunning who was Minister of Railways, invited Sir Frederick Palmer, who was on his way back from the Hudson bay to study all the suggestions that were filed, and I recall that Sir Frederick Palmer consulted the Board of Railway Commissioners in that

respect, and finally you have Palmer's report and the presentation of 1929 authorizing the Canadian National Railways to go on with this scheme that had been approved after a very thorough study of all the plans that had been suggested.

Then, in 1929 and 1930 the land was acquired and the various buildings that were in the way were demolished and the big hole was dug. Due to the depression the work was suspended for a time and there was a clamour of public opinion for the construction of these terminal facilities as much in the interest of the Canadian National Railway system which was at a great disadvantage in operating in Montreal, the metropolitan area, as in the interest of the general public using the terminal facilities at Montreal. I believe that there is no gain-saying the fact that adequate terminal facilities for the Canadian National Railways were much overdue and the merits or demerits of the various schemes that were suggested have been exhaustively gone into, to my knowledge, by the most eminent experts that could be invited to offer a suggestion.

I must confess that in my heart and soul I should have liked a terminal company or commission to be set up and all the railways using the Montreal terminals joining in with the city and with the Montreal tramways to give rapid transit and terminal facilities in the district of Montreal; but I realize that it is almost impossible to use compulsory methods to compel either the Canadian Pacific Railway or the New York Central or other railways to use Montreal terminals to come into that city. They may be forced to it in time by force of circumstances but we have to break, in my opinion, the vicious circle somewhere, and no city of the size of Montreal would have endured for ten years the abominable situation that has been allowed to obtain there.

Mr. WALSH: I quite agree with Col. Vien in his statement. It seems to me we have set up ways and means to enforce co-operation. I am speaking in the interests of the city of Montreal, one of the large cities on this continent, one of the few cities that will be left with terminal facilities so widely separated, with no union station. If the public enjoys any privilege, it is the privilege of a union station; and I think that privilege ought to be made possible to a large metropolitan city like Montreal. We have the ways and means of enforcing co-operation. We have that enabling Act that was passed. We have the committee set up. If the committees meet and cannot agree on terminal facilities and a tunnel station or union station, then there is another step which might be taken; they might call in the services of the chairman of the board of railway commissioners. Is that right?

Mr. FAIRWEATHER: No. I think you are in error there. I think the arbitral tribunal is specifically excepted in the matter of large terminal arrangements. The arbitral tribunal has no power to enforce large terminal arrangements.

Hon. Mr. HOWE: Do you not think there is a time when you must make up your mind? After all, this thing was studied by every expert worthwhile, and the commitment of over \$16,000,000 a very large cost, was built up on that. After you get to that stage, do you think you are still free to turn around and say, "Maybe we do not want to do this after all"?

Mr. WALSH: No. I think the C.N.R. deserves very much improved conditions in Montreal, and I think that some body should be set up. I thought there was the possibility of this co-operating committee along with the Board of Railway Commissioners making it possible to insist on a union station in Montreal. Here is our time to act. Now is the time. If you allow this terminal station to proceed now, it is going to be more difficult in the future to get the different railway lines coming into Montreal to co-operate on union and terminal facilities; at least, that is my impression.

Mr. YOUNG: I should like to ask Mr. Walsh if he knows that the Canadian Pacific would be prepared to join in building this tunnel station.

Mr. WALSH: Very unfortunately I am not in the confidence of the Canadian Pacific; but I am in the confidence of men who are vitally interested in Montreal, largely interested in Montreal—the Board of Trade and others who have been before this committee in years gone by. I know they are interested in the development that I have in mind; Col. Vien is interested in the development I have in mind. There are these ways and means of getting it. I feel that proceeding now with this tunnel station is wrong, first, from the point of view that we cannot afford it financially. Here we are with a report before us of \$54,000,000 in the red this year. But despite that fact we are going ahead with this expansion project. My second objection is that if we have not got ways and means set up already of forcing our railways coming into Montreal to use the union depot and certain terminal facilities, we ought to set up a body which will simply say, "This is what is going to be done" and it will be done.

Mr. MCKINNON (*Kenora-Rainy River*): Mr. Chairman, are the Canadian National railways willing to co-operate in the building of the union station?

Mr. HUNGERFORD: Yes, at the tunnel side.

Mr. WALSH: You get the same thing.

Mr. MCKINNON (*Kenora-Rainy River*): Just a minute. The reason that the union station has not been gone ahead with is no fault of the Canadian National for not wanting to co-operate?

Mr. HUNGERFORD: The Canadian National Railways is firmly convinced, after years of study, that the tunnel side is far better for a central station than Windsor street. It might be interesting for me to tell you what happened after amalgamation. When I first went to Montreal as operating vice-president of the Canadian National Railways, one of my first duties was to study, or have studied, the co-ordination of terminals all over the country, wherever various constituent lines contacted; and Montreal was easily the largest one to be considered. I was responsible for the inception of private study, secret study, of the whole situation; and I started from the premise of trying to make Windsor street station the central station, by getting both railways in. I very reluctantly came to the conclusion ultimately that it just could not be done on sensible lines, and that is my conviction to-day.

Mr. MCKINNON (*Kenora-Rainy River*): In other words, you are willing to co-operate if you have it where you believe the proper place is?

Mr. HUNGERFORD: Yes.

Mr. MCKINNON (*Kenora-Rainy River*): And we can assume that the C.P.R. would cooperate if they could have it, where they think the proper place is?

Mr. HUNGERFORD: I cannot speak for the Canadian Pacific.

Mr. VIEN: It is a question of record. The Canadian Pacific have gone on record suggesting that the treatment to be given to the Montreal terminal would be to use Windsor street for westbound trains and the Place Viger and Park Avenue for eastbound trains. But as I say, these submissions have been made in writing, and the estimate of the cost; speaking from memory, the estimate of the cost was also given as being something like \$20,000,000 at that time, of converting the Windsor station and converting the Place Viger. But other experts said that it would be vastly in excess of that. But the C.P.R. estimates, as conformed by the board, I think will reveal—and I speak from memory, but I think you will find it correct—that their estimate was that it would be around \$20,000,000. But that is after this submission of the C.P.R. The C.P.R. objected to going to the tunnel. The Canadian National found that the tunnel was the better site; the Canadian National were willing to accept the Canadian Pacific in the tunnel station, and Palmer says so in his report.

But the Canadian Pacific refused to go there and insisted that if any general terminal was to be built, it should be by using Windsor street and Place Viger.

Mr. McKINNON (*Kenora-Rainy River*): Would there be any other reason beside the financial one?

Mr. VIEN: The financial one was the one put forward and uppermost I think, in the considerations that were suggested; but also there was the fact that the Canadian Pacific had their own tracks and station facilities, and that they could not abandon them on account of their patrons along those lines.

Mr. McKINNON (*Kenora-Rainy River*): And the terminal facilities that the C.P.R. had were adequate for their purposes; is that right?

Mr. VIEN: In their opinion; and could be enlarged to give facilities to the other railways as well.

Mr. YOUNG: I should like very much to congratulate Mr. Fairweather on the statement he made to us to-day with regard to the Montreal terminal. I think he made a very excellent presentation of the facts. Some of us were here years ago right in this very room where there was a model set up of this whole thing; for a whole week, I think, we studied the plan with experts of the railways; and later we had a meeting here and it finally went through the house. But this morning and this afternoon he has convinced me that what was decided at that time was decided in the best interests of the road.

The CHAIRMAN: Quite right.

Mr. YOUNG: Personally, I always feel that if we can have joint terminals, so much the better. But I believe from what we have heard to-day, in addition to what we knew before, that a very strong case—I would almost say an unanswerable case—was made out that the terminal station would be the one station in that area which would serve best for all parties concerned. Another thing I should like to say,—in case it might be taken as the opinion of the committee that this is not the time to do it,—is that my own view is that when we have unemployment as we have to-day, if there is ever a time when governments or government institutions should undertake to give wages to men, this is the time. Any time of depression would be a better time to do it than when there is great prosperity. I should not like to think that Mr. Walsh was voicing my view that this is an improper time owing to any financial stringency which may exist. We can find money for other things. I think we should be able to find money for a useful thing. In my judgment, knowing Montreal as I have for many years, there is nothing more necessary there in that area than a proper terminal facility for the Canadian National Railways.

The CHAIRMAN: Shall the report carry?

Mr. WALSH: No, no. We will come back to the report to-morrow. I want the president to let me know to-morrow at what date the directors of the Canadian National Railways decided to go ahead with the plans of the tunnel station in Montreal. An answer to-morrow will be satisfactory.

The CHAIRMAN: Gentlemen, shall we adjourn until four o'clock to-morrow afternoon?

Mr. WALSH: I have three questions I wanted to submit so that I can get answers, just bringing certain data up to date. I have them here in writing.

On page 55 of the minutes of standing committee on railways and shipping, Wednesday, April 27, 1938, we have a statement in answer to a previous question by myself, covering detail of hotel operation. I should like to have filed and entered in minutes of this year a similar statement covering the calendar year 1938. I do not know whether my previous question on hotels covers that or not. If it does not I should like that question answered.

Condensed income statement, including profit and loss, of the Canadian National Steamships (Pacific coast) for the years 1937 and 1938.

I should like this to be similar to statement for the year 1936 filed with the select standing committee on railways and shipping, March 23, 1937, appearing on page 225 of the printed proceedings for that year.

Then a statement showing for each year, 1932 to 1938 inclusive, freight service and passenger service (separately), (a) revenues, (b) expenses, (c) net operation, (d) ratio revenues to expenses. Also capital investment in freight train cars and passenger train cars.

This information was supplied by Mr. Fairweather for the year 1931. See minutes of proceedings and evidence of the select standing committee on railways and shipping for May 12, 1932, page 337.

The CHAIRMAN: The committee stands adjourned until 4 o'clock to-morrow afternoon.

(At 6.10 p.m. the committee adjourned to meet again at 4 p.m., Wednesday, April 19, 1939.)

SESSION 1939

HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

WEDNESDAY, APRIL 19, 1939

WITNESSES

- LIBRARY OF PARLIAMENT*
Felix Desrochers
- Mr. S. J. Hungerford, President;
 - Mr. R. C. Vaughan, Vice-President, Purchasing and Stores Departments;
 - Mr. S. W. Fairweather, Chief of Research and Development;
 - Mr. T. H. Cooper, Comptroller;
 - Mr. W. M. Armstrong, Assistant Director, Bureau of Economics, Canadian National Railways;
 - Mr. P. G. Johnson, Vice-President, Trans-Canada Air Lines, Department of Transport.

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1939

MINUTES OF PROCEEDINGS

WEDNESDAY, April 19, 1939.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 4 p.m. Sir Eugène Fiset, the Chairman, presided.

Members present: Messrs. Barber, Cameron, Deachman, Emmerson, Fiset (Sir Eugène), Hanson, Howard, Howden, Howe, Kinley, McKinnon (*Kenora-Rainy River*), Ross (*Middlesex East*), Stewart, Vien, Walsh, Young.

In attendance: Mr. S. J. Hungerford, President; Mr. S. W. Fairweather, Chief of Research and Development; Mr. T. H. Cooper, Comptroller; Mr. W. M. Armstrong, Assistant Director, Bureau of Economics, Mr. R. C. Vaughan, Vice-president, Purchasing and Stores Departments, Canadian National Railways.

The Committee resumed consideration of the 1938 Annual Report of the Canadian National Railway System. Mr. Young expressed strong disapproval of perpetual bonds listed under "Funded Debt—Principal and Interest" on page 19 of the said report.

Mr. Vien agreed with Mr. Young and moved,—

That, in the opinion of this Committee, legislation should be introduced to provide for the redemption, under such terms and conditions as the Department of Finance may deem advisable, of the five securities of perpetual bonds listed at the top of page 19 of the Annual Report of the Canadian National Railway System for the year ended December 31, 1938.

After discussion, by leave of the Committee, Mr. Vien withdrew his motion.

The budget of the Canadian National Railways and Estimates Nos. 442, 443, 454, 588, 589 and 590 were severally adopted.

At 6 p.m. the Committee adjourned until 8.30 p.m.

The Committee resumed at 8.30 p.m. with Sir Eugène Fiset, the Chairman, presiding.

Members present: Messrs. Barber, Deachman, Emmerson Fiset (Sir Eugène), Hanson, Howard, Howden, Howe, Kinley, McKinnon (*Kenora-Rainy River*), Parent (*Quebec West and South*), Stewart, Vien, Walsh, Young.

In attendance: The officials who attended this afternoon and Mr. V. I. Smart, Deputy Minister; Mr. C. P. Edwards, Chief of Air Services, Mr. P. G. Johnson, Vice-President in Charge of Operations, Trans-Canada Air Lines, Department of Transport.

The 1938 Annual Report of the Canadian National (West Indies) Steamships Limited, read by Mr. Vaughan, and adopted.

The 1938 Annual Report of the Directors of the Trans-Canada Air Lines was considered. Mr. Johnson outlined the activities. The report was adopted.

The Report of George A. Touche & Company, Auditors of Accounts of the Canadian National Railway System for the year ended December 31, 1938, was adopted.

Mr. Howard suggested that during the next year the Canadian National Railways be asked to spend \$50,000 to publicize what the Canadian National Railways means to Canada, and what it has done in the past. Mr. Walsh was of the opinion that this end could be achieved if Canadian National Railway officials would more fully avail themselves of opportunities for addressing service and other clubs. Mr. Deachman contended that while agriculture is in a depressed condition there is no solution for the railway problem.

Answers were furnished to questions asked by Mr. Walsh at the first meeting of the Committee.

Ordered,—That these answers be printed as an appendix to this day's evidence.

Complaint was made by Mr. Walsh respecting transportation facilities between New Brunswick and Prince Edward Island and in the latter province.

The Committee adjourned to meet at the call of the Chair.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

OTTAWA, April 19, 1939.

The Standing Committee on Railways and Shipping met at 4 p.m. The Chairman, Sir Eugène Fiset, presided.

The CHAIRMAN: Order; we have a quorum of nine. Yesterday we went through the report of the chairman, and to-day I think we should examine the consolidated balance sheet. I shall ask Mr. Cooper to read every item because they have to be printed in the report.

Mr. WALSH: Could they not be copied in the report and taken as read?

The CHAIRMAN: I will be delighted to do that if it is the desire of the committee, because we have already traversed the whole picture. I believe it can be copied in the report.

Mr. MCKINNON: Taken as read.

The CHAIRMAN: The consolidated balance sheet is approved.

CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1938

ASSETS

Investments:

Investment in road and equipment.....	\$1,856,468,591	53
Improvements on leased railway property..	4,300,970	25
Miscellaneous physical property.....	61,614,510	61
	\$1,922,384,072	39

Sinking funds:

System securities at par.....	\$ 326,563	06
Other assets at cost.....	250,016	79
	576,579	85

Deposits in lieu of mortgaged property sold:

System securities at par.....	\$ 736,000	00
Other assets at cost.....	4,717,904	82
	5,453,904	82

Investments in affiliated companies.....		36,139,090
Other investments		1,120,247
		\$1,965,673,894

71

Current Assets:

Cash	\$ 8,078,076	46
Special deposits	6,773,189	49
Bills receivable	100,000	00
Traffic and car-service balances receivable.....	1,089,933	36
Net balances receivable from agents and conductors.....	3,868,285	48
Miscellaneous accounts receivable.....	\$ 4,365,534	06
Dominion Government—Balance due on deficit contributions	11,117,018	41
	15,482,552	47
Material and supplies.....	27,856,014	77
Interest and dividends receivable.....	227,829	13
Rents receivable	53,123	50
Other current assets.....	745,689	14
	64,274,693	80

80

Deferred Assets:

Working fund advances.....	\$ 237,468	74
C.N.R. insurance fund:		
System securities at par.....	\$ 5,133,325	73
Other assets at cost.....	6,835,242	10
	11,968,567	83
Other funds	14,506	25
Other deferred assets.....	6,033,878	08
	18,254,420	90

90

Unadjusted Debits:

Rents and insurance premiums paid in advance.....	\$	247,306	33	
Discount on capital stock.....		189,500	00	
Discount on funded debt.....		12,090,984	49	
Other unadjusted debits.....		2,900,798	97	
				15,428,589 79
				\$2,063,631,599 20

LIABILITIES

Stocks:

Capital stocks of subsidiary companies owned by public..	\$	4,583,800	00	
Long Term Debt:				
Funded debt unmatured.....		1,249,996,422	59	
Dominion of Canada (accounts treated as assets in public accounts of Canada):				
Loans	\$	48,144,804	73	
Canadian Government railways—working capital.....		16,771,980	54	
				64,916,785 27

Current Liabilities:

Traffic and car-service balances payable.....	\$	2,942,270	52	
Audited accounts and wages payable.....		7,432,810	97	
Miscellaneous accounts payable.....		2,730,780	31	
Interest matured unpaid.....		7,711,897	51	
Funded debt matured unpaid.....		123,069	06	
Unmatured interest accrued.....		9,894,892	30	
Unmatured rents accrued.....		408,552	32	
Other current liabilities.....		1,302,043	47	
				32,546,316 46
Deferred liabilities				3,638,245 60

Unadjusted Credits and Reserves:

Tax liability	\$	1,923,414	70	
C.N.R. insurance reserve.....		11,968,567	83	
Accrued depreciation—U.S. lines.....		16,608,142	08	
Other unadjusted credits and reserves.....		4,761,313	96	
				35,261,438 57

Dominion Government—Proprietor's equity (See note)

Represented by:—				
1,000,000 shares of no par value capital stock of Canadian National Railway Company issued in exchange for the residual value of Canadian Northern capital stock.....	\$	18,000,000	00	
5,000,000 shares of no par value capital stock issued by Securities Trust to the Government in consideration for the transfer of securities, advances, claims for unpaid interest and collateral securities.....		266,612,868	53	
Dominion Government capital expenditures for Canadian Government railways		388,075,722	18	
				672,688,590 71

Contingent Liabilities:

For major contingent liabilities, including pension plans, see page 21.

\$2,063,631,599 20

NOTE.—The Proprietor's Equity is included in the net debt of Canada and is disclosed in the historical record of Government assistance to railways as shown in the Public Accounts of Canada in accordance with The Canadian National Railways Capital Revision Act, 1937.

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the companies comprising the Canadian National Railway System for the year ended the 31st December, 1938.

The investments in properties and equipment appearing in the books of the companies as at the 1st January, 1923, were accepted by us.

The accounts of the System are stated in Canadian currency—sterling and United States currencies being converted at the par of exchange.

Depreciation Accounting is applied to rolling stock owned by United States lines and Retirement Accounting is applied on the basis of original cost to other units of property on the System.

Subject to the foregoing and our report to Parliament, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System as at the 31st December, 1938, and that the relative Income and Profit and Loss Accounts for the year ended the 31st December, 1938, are correctly stated.

GEORGE A. TOUCHE & CO.,

Chartered Accountants.

10th March, 1939.

Next is the consolidated profit and loss account, which is exactly the same, in that we discussed it yesterday. Shall it be read in the report?

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDING 31ST DECEMBER, 1938

Debits:		
Debit balance transferred from income.....		\$54,470,996 92
Debits from retired road and equipment:		
Line abandonments and other capital losses.....	\$ 2,712,837 14	
Other property retired and not replaced.....	978,084 38	
		3,690,921 52
Miscellaneous debits		60,350 54
		<u>\$58,222,268 98</u>
Credits:		
Credits from retired road and equipment.....		\$ 613,640 92
Miscellaneous credits		581,594 95
		<u>\$ 1,195,235 87</u>
Line abandonments, etc., as above, charged to proprietor's equity..	\$ 2,712,837 14	
Cash deficit, contributed by Government.....	54,314,195 97	
		<u>\$57,027,033 11</u>

DOMINION GOVERNMENT—PROPRIETOR'S EQUITY

	Balance at 31st Dec., 1937	Change during year (See Page 18)	Balance at 31st Dec., 1938
Canadian National Railway Company, capital stock	\$ 18,000,000 00		\$ 18,000,000 00
Canadian National Railways Securities Trust, capital stock	269,325,705 67	\$2,712,837 14	266,612,868 53
Dominion Government capital expenditures for Canadian Government Railways.....	388,204,322 18	128,600 00	388,075,722 18
	<u>\$675,530,027 85</u>	<u>\$2,841,437 14</u>	<u>\$672,688,590 71</u>

Next is the consolidated income account. The same thing applies there.

CONSOLIDATED INCOME ACCOUNT

	1938	1937
Railway operating revenues.....	\$182,241,722 93	\$198,396,608 61
Railway operating expenses.....	176,175,311 78	180,788,858 09
Net revenue from railway operations.....	<u>\$ 6,066,411 15</u>	<u>\$ 17,607,750 52</u>
Railway tax accruals.....	5,954,197 44	5,635,173 84
Railway operating income.....	<u>\$ 112,213 71</u>	<u>\$ 11,972,576 68</u>
Rent from locomotives.....	102,074 89	111,918 91
Rent from passenger train cars.....	267,170 94	251,931 04
Rent from floating equipment.....	360 00	734 50
Rent from work equipment.....	124,198 88	149,481 33
Joint facility rent income.....	1,630,481 05	1,617,222 56
Hire of freight cars—debit balance.....	1,403,976 52	1,869,236 43
Rent for locomotives.....	31,307 83	29,431 52
Rent for passenger train cars.....	310,406 74	439,765 65
Rent for floating equipment.....	67,976 28	65,567 96
Rent for work equipment.....	7,235 31	12,504 89
Joint facility rents—debit.....	2,548,636 17	2,177,957 72
Net railway operating income.....	<u>\$ 2,133,039 38</u>	<u>\$ 9,509,400 85</u>
Revenues from hotel operations.....	3,144,674 00	3,045,798 57
Expenses of hotel operations.....	2,784,021 04	2,713,512 18
Taxes on hotel property.....	134,639 21	132,199 39
Net hotel operating income.....	<u>\$ 226,013 75</u>	<u>\$ 200,087 00</u>

CONSOLIDATED INCOME ACCOUNT—*Cont.*

	1938	1937
Income from lease of road and equipment.....	74,273 79	55,949 12
Miscellaneous rent income.....	900,219 75	828,281 57
Miscellaneous non-transportation property—credit.....	84,071 04	53,541 81
Dividend income.....	243,972 50	709,363 14
Income from funded securities.....	1,697,609 86	1,730,589 28
Income from unfunded securities and accounts.....	714,849 86	127,571 06
Income from sinking and other reserve funds.....	209,379 48	208,618 73
Miscellaneous income.....	327,056 88	63,008 75
Miscellaneous rents—debit.....	498,107 82	499,202 91
Miscellaneous tax accruals.....	152,413 03	184,149 52
Separately operated properties—loss.....	1,693,336 01	1,130,521 24
Miscellaneous income charges.....	1,019,805 86	430,774 92
Income available for fixed charges.....	\$ 1,019,255 19	\$ 11,241,762 72
Rent for leased roads and equipment.....	1,474,675 68	1,505,688 80
Interest on funded debt—public.....	49,839,022 58	48,888,545 56
Interest on Government loans.....	926,124 86	1,744,550 71
Interest on unfunded debt.....	153,093 69	192,903 29
Amortization of discount on funded debt.....	1,058,824 92	938,728 79
Total fixed charges.....	\$ 53,451,741 73	\$ 53,270,417 15
Income deficit transferred to profit and loss.....	\$ 54,470,996 92	\$ 42,028,654 43

Mr. WALSH: May I ask a question in connection with the income from unfunded securities and accounts? I see the amount is \$1,697,609.86.

The CHAIRMAN: What page?

Mr. WALSH: Page 13.

The CHAIRMAN: That is the income from funded securities.

Mr. WALSH: I do not understand that. Really I display my ignorance. I do not know what exactly is represented there.

The CHAIRMAN: Your ignorance shows that you are a good man.

Mr. HOWARD: What is the item?

Mr. WALSH: "Income from unfunded securities and accounts."

The CHAIRMAN: Yes.

Mr. WALSH: \$1,697,609.86.

Mr. COOPER: That is income from funded securities, Mr. Walsh. The income from unfunded securities is \$714,849.86.

Mr. WALSH: What is the reason for the increase? The income from unfunded securities in 1937 was \$127,571.06. In 1938 it was \$714,849.86. That is what caught my attention.

Mr. COOPER: You wish to know how the increase is caused?

Mr. WALSH: Yes.

Mr. COOPER: In 1938 we sold considerable property to the Toronto Terminals Railway Company. They had taken possession of the property in 1927 and the basis of the settlement was only agreed to at the end of 1938. We charged up to the Terminals Company the purchase price together with interest and it is such interest on the purchase price of the property sold to the Toronto Terminals Railway Company in 1938 which has caused the increase.

The CHAIRMAN: Is it carried?

Mr. WALSH: May I draw attention to this fact: The railway operating revenues and the railway operating expenses at the top of page 13 interest me. I refer back to the year 1936 and I find that the operating revenues were shown at \$186,000,000 and the operating expenses at \$171,000,000. This year I notice the operating revenues are \$182,000,000 and operating expenses \$176,000,000.

You see there is an increase in operating expenses with a decrease in operating revenues this year. When we look back to 1936 we see a larger operating revenue, \$180,000,000 as compared with \$182,000,000, but a smaller operating expense, \$171,000,000. I was wondering if there was any specific reason for that?

Mr. HUNGERFORD: The explanation lies in the fact that the 10 per cent reduction in wages was restored during that period, and also a substantial increase in the price of materials purchased.

Mr. DEACHMAN: Could we have now in that connection the wage cost for a unit of work done over the railway in a period of years? I am speaking of wage cost, and I am referring to operating account only.

Mr. COOPER: The amount of wages charged to operating expenses, you mean?

Mr. DEACHMAN: I should like to have it on a basis—if it is possible to do so—of a unit of work; that is, moving a ton of freight a mile, or its equivalent, whatever the unit of work is.

Mr. HOWARD: It is in the report.

Mr. DEACHMAN: I do not think so.

Mr. HOWARD: I think so.

Mr. DEACHMAN: Your railway unit of work is moving a ton of freight a mile, or its equivalent. That would have to be computed in connection with your passenger traffic in terms of the nearest equivalent that you can get it. It must cost three or four times as much to move a passenger mile as it does a ton of freight—I think it is five times the amount. If we could have a definite measurement in that way of the number of units of work divided into the operating payroll, we would have the amount of money that is required to pay a unit of work on the railway, the labour unit cost. I believe if we had this figure we would have a good idea of what the changes in the wage cost really amount to. It would be worth while as a basis of comparison. I refer to that particularly because in the last few years—not so much in the last few years but beginning back in 1921 and 1922—there has been a very great increase in the capital cost of the Canadian National Railways. That is, we have had heavier rails, increased efficiency in engines and an increase in operating efficiency. Your method of operating is now better than it was away back in the old days. The fact is that the total unit cost of operating is higher than it was; so I should like to get the unit cost some years ago from the standpoint of labour and the unit cost to-day. Then we would have some measure of what is the cause of the deficit on the Canadian National Railways.

The CHAIRMAN: Can you supply the answer right now?

Mr. FAIRWEATHER: No; we would have to prepare the statement. I gather the idea is that we should use a composite figure which might be called a traffic unit?

Mr. DEACHMAN: Yes.

Mr. FAIRWEATHER: It would consist of the revenue ton miles and the passenger miles converted to the equivalent by some factor.

Mr. DEACHMAN: Yes; it would be approximate that way because there is other work done by the railways, but still it would give some idea.

Mr. FAIRWEATHER: Such a statement can be prepared.

Mr. DEACHMAN: It would give you a measure of the cost which, while not exactly right, would be comparable. There would be a variable factor in it.

Mr. FAIRWEATHER: Yes.

Mr. DEACHMAN: It would be comparable from year to year and show us what the wage cost is, because frankly my contention is this: if your capital cost has not been a factor, the increased capital cost has not been a factor in reducing wage costs, then why go ahead with capital costs?

Mr. FAIRWEATHER: Well, of course, I can say that is a very sound approach and there is only one thing about it, the density of traffic comes in in the comparison of figures.

Mr. DEACHMAN: Yes; I was going to say that.

Mr. FAIRWEATHER: With that qualification, I can assure you that there has been an increase in the amount of transportation units done per man hour.

Mr. DEACHMAN: Quite, 40 per cent anyway.

Mr. FAIRWEATHER: It has increased very remarkably. The Canadian National Railways in common with practically all the large railway systems on this continent have increased their technical performance from year to year, and, of course, all that has found expression in increased traffic units per man hour under comparable conditions.

Mr. DEACHMAN: Yes.

Mr. FAIRWEATHER: That means under the same traffic density conditions.

Mr. DEACHMAN: But if the wage rate has gone up so as to absorb all the increased units of work; if labour is the one who takes all the increased units for his own benefit—

Mr. FAIRWEATHER: Well, of course, to that extent it would nullify the economy on the expenditure of capital and development of improved methods. A statement such as you have suggested can be prepared.

Mr. DEACHMAN: I should like to have it; and we will particularly take the base year as 1926. It would not be a great task to prepare it.

Mr. FAIRWEATHER: No; we can do it in traffic units, subject, of course, to these qualifications, as you know, as being approximate.

Mr. DEACHMAN: I believe if you put down in connection with that the total units of work—

Mr. FAIRWEATHER: Yes.

Mr. DEACHMAN: —then we would have some idea, because I admit of course the factor of density of traffic is really an important factor.

Mr. FAIRWEATHER: Yes, it shows up. If you make an adjustment for that it shows quite clearly the increasing basic inherent efficiency of the man hour; and you want to know on the one hand on the man hour basis and also on the dollar wage basis, what it amounts to.

Mr. DEACHMAN: Yes; I want to see the additional number of units that man performs. Mind you, the hours of wages and the hours of labour have been reduced in that time. If you took the number of units of traffic moved in a year the figures would not reveal what it was per hour; there would be a complication there.

Mr. HUNGERFORD: Practically no change in the hours of work.

Mr. DEACHMAN: Since 1926? Were the regulations changed at that time?

Mr. HUNGERFORD: There will be a fluctuation in certain respects from time to time but I do not think the change has any material effect. There has been no great change.

Mr. DEACHMAN: That took place when, 1920?

Mr. HUNGERFORD: Yes.

Mr. HANSON: May I ask a question? I wonder if somebody would give me the value of the percentage of increase in the operating expenses between the—

The CHAIRMAN: Will you repeat that? The reporter did not get it.

Mr. HANSON: I gave the question to somebody. What is the percentage of the decrease in the operating expenses compared with supervision of costs, services and labour, outside labour?

Mr. ARMSTRONG: We have here some figures comparing 1938 with 1930. The first classification is the employees classification, and it is called "executives, officials and staff assistants." That is the top.

Mr. HANSON: Yes.

Mr. ARMSTRONG: The payroll in 1938 shows a reduction of approximately 44 per cent below 1930. All other employees, exclusive of that category show a reduction of 26 per cent.

Mr. HUNGERFORD: In point of number?

Mr. ARMSTRONG: No, in point of total payroll. The average compensation of employees is the next heading. First, executives, officials and staff assistants show a reduction of approximately 9 per cent, and the average wage of all other employees shows a reduction of 1.1 per cent.

CANADIAN NATIONAL RAILWAYS

EMPLOYEES AND THEIR COMPENSATION

1930 Compared with 1938

	1930	1938	Percentage of decrease
Total payroll			
Executives, officials and staff assistants.....	\$ 5,414,203	\$ 3,041,850	43.82
All other employees.....	154,566,791	113,484,258	26.57
Average earnings of employees			
Executives, officials and staff assistants.....	5.950	5.432	8.7
All other employees.....	1.543	1.526	1.1

Mr. HANSON: Total labour?

Mr. ARMSTRONG: That is what you would call everybody but the senior group of officials.

The CHAIRMAN: Mr. Deachman, will you be satisfied if the answer to your question is prepared and read in the report?

Mr. DEACHMAN: Quite.

Mr. HANSON: I have another question to ask. I should like to ask if you have any distinction between wages and salaries paid to superintendents and higher officials, and superintendents down the grade, the ordinary section man? I presume it would mean the ordinary section man. I should like an answer to that question. What I am trying to get at are the salaries of officials and superintendents and those of the others we call ordinary labours. We have officials and superintendents; below that are what are called outside workers or common workers.

Mr. ARMSTRONG: I think the question as it was answered would not go down quite as far as superintendents; but we could file an answer which would include superintendents, excluding them from the balance in this other statement.

Mr. HANSON: Could we have that?

Mr. ARMSTRONG: We could have that prepared.

The CHAIRMAN: Then the statement will be prepared and read into the report.

Mr. BARBER: What I was going to ask was in connection with this statement on maintenance of way and structure expenses, maintenance of equipment expenses, traffic expenses, transportation expenses. If you will look at that you will find that the amount for superintendence in each case is increased. Could we have an explanation of why, with the decreased revenue, in each case the superintendence is increased?

Mr. COOPER: The wage account generally was affected by the restoration to basic rates which took place in 1938. There was, of course, a decrease in the man hours in the general maintenance of way group, and also in the maintenance

of equipment and transportation groups. But in the superintendence accounts, which are more or less stable in relation to the variation of traffic, all that happened in 1938 was the restoration of basic rates; and therefore you get an increase in that particular account.

Mr. BARBER: What do you mean by a restoration of basic rates?

Mr. COOPER: There were certain reductions in effect, which went into effect in 1931; they continued until some time in 1937, or finishing in April, 1938. The basic rates have been restored.

Mr. YOUNG: With regard to the statement of Mr. Hanson, I think the answer was given from the year 1930. I should like to suggest that it go back several years before that, say even from 1921. The reason I ask that is that a good many men, railway men—men who served the railway for a long number of years—are under the impression that the executive end of it, and going down to perhaps as low as superintendents or as high, has been increased very materially in comparison with the number of men who were in the category below that. There may be nothing in their contention; but I thought it might be well to investigate the matter, because that has been stated very freely in certain quarters.

Mr. HUNGERFORD: That the official staff has been increased?

Mr. YOUNG: The executive staff.

Mr. ARMSTRONG: The figures, the earliest we have, are in 1923, the corresponding period to the figures given in the answer to Mr. Hanson's question. For 1923 the executive officials and staff assistants—

Mr. YOUNG: May I ask what you include in that, just in order to be clear?

Mr. COOPER: General officers of the company.

Mr. MCKINNON: Does that go down as far as general superintendent?

Mr. COOPER: Including general superintendent.

Mr. MCKINNON: But not below?

Mr. COOPER: It would not include division superintendents.

Mr. ARMSTRONG: The amount of the payroll there is \$5,489,000; in 1930 it was \$5,414,000; in 1938 it was \$3,042,000.

Mr. BARBER: What was it about 1935?

Mr. ARMSTRONG: Practically the same as 1938; that is, \$2,927,000.

Mr. HANSON: A change was made.

Mr. ARMSTRONG: You must remember that there was a deduction in effect in 1935 that was not in effect in 1938. It is not really an increase in payroll. That is an increase in salary.

Mr. YOUNG: That is in dollars and cents. What about the actual number of persons?

Mr. ARMSTRONG: In 1923, 1,202; in 1930, 910; in 1938, 560.

Mr. HANSON: The change was made in 1932.

Mr. ARMSTRONG: The big change is between 1930 and 1938, yes.

Mr. YOUNG: With regard to superintendents, may I ask if they had the same number of men on the payroll to supervise as they had in 1923—the first figure you gave—or did they have more?

Mr. ARMSTRONG: More at the present time.

Mr. YOUNG: More at the present time?

Mr. ARMSTRONG: Yes.

Mr. YOUNG: And the staff surrounding the superintendents is not greater than it was in 1923?

Mr. ARMSTRONG: It would be less.

Mr. HUNGERFORD: It would be less?

Mr. ARMSTRONG: Definitely.

Mr. FAIRWEATHER: Very considerably less.

The CHAIRMAN: Gentlemen, we are putting the cart in front of the horse, I am afraid. We are discussing at the present time a summary of operating expenses. Shall we consider the details of all those accounts mentioned at the bottom of the page such as maintenance of way and structure, maintenance of equipment, traffic, transportation, miscellaneous operation, general, transportation for investments? Instead of going into all the details contained on pages 15, 16 and 17, I think we should consider the main headings, as we have already discussed part of the whole thing. Therefore, I will ask Mr. Armstrong to enumerate those five, taking first of all maintenance of way and structures, details on page 15. Are there any questions? On page 14 you will see a summary of operating expenses, maintenance of way and structures.

Mr. WALSH: Is there anything under that heading that would show the cost of operating the purchasing and store keeping department, or does that come in that?

The CHAIRMAN: Part of it.

Mr. HUNGERFORD: These figures are all incorporated in it.

Mr. WALSH: Or is it included in some of this account on maintenance of way and structures?

Mr. COOPER: The cost of the purchasing and store keeping department is first charged to a clear account, and then it is issued out as part of the cost of material, on a percentage basis; that is to say, if store expense is 5 or 6 per cent of the total purchases, we add 6 per cent to our material issues and in that way each material account is charged with that proportion of store expenses.

Mr. WALSH: You do not know what the actual cost of the purchasing department is?

Mr. COOPER: I have the information, but I do not have it here.

The CHAIRMAN: The first item is maintenance of way and structures. Is it carried?

Some HON. MEMBER: Carried.

The CHAIRMAN: Carried. The next item is maintenance of equipment, also on page 15. Is it carried?

Mr. WALSH: I wish to ask a question with regard to the item of superintendence on pages 15 and 16. Is there a certain proportion of headquarter's expense charged against each of these items of superintendence?

Mr. COOPER: Yes, but not very much at headquarters. In maintenance of way and structures, you would have the chief engineer and his office staff; and in maintenance of equipment, you would have the chief of motive power and his staff. But, generally, this expense is either regional or divisional.

Mr. WALSH: Where would headquarter's expense come? Under what item would it come?

Mr. COOPER: Well, for example, the expense of the chief of motive power is in the equipment superintendence account, but it is a relatively small proportion of that account. The main expense is what originates with the regional staffs.

Mr. WALSH: I have a letter here to which I want to direct attention. I notice, under maintenance of way and structure expenses, that rails, ties and other track material are mentioned. There is a person whose name I do not know—I have had hard work deciphering his letter—who was making some inquiries about a contract that was let. If I am asking for something that I should not ask for, or for information that should not be given, just say so

and that is the end of it. He says something about a contract which was calling for 27,000 cedar pegs—whatever that means—of 8 feet, 1,000 of 9 feet and 1,600 of 12 feet for which he tendered; then he gives the price of his tender. He did not get the contract, but he says he knows that his price was lower than the price of the tender that was accepted. His price for 1,650 of 8 feet was 14 $\frac{3}{4}$ cents each; his price for 5,000 of 8 feet was 18 cents. He says he knows these could not possibly be made under the 15 cents. So he was wondering why he did not get the contract for those; and his suggestion is, of course: Was there any political influence involved in the placing of this contract?

Mr. YOUNG: Does he say that?

The CHAIRMAN: I could show you about thirty, if you want to see them.

Mr. WALSH: He says that in the letter here. I do not know the man; I never met him. His letter is written so that very few people could read it; I had to get an expert to decipher it for me. Apparently he is a man who gets out that kind of thing, and has had the contract in previous years.

Mr. KINLEY: I think he was basing it on the experience of previous years when the Tories got all of the contracts.

Mr. WALSH: Is there any possibility of securing any information on that?

Hon. Mr. HOWE: You set up a very bad precedent, because I could show you several thousands of those letters. We do not give that information.

Mr. WALSH: All right.

Hon. Mr. HOWE: We would do nothing else, if we did.

Mr. WALSH: I have discharged my duty to the person who wrote the letter.

Mr. DEACHMAN: Every M.P. gets letters.

The CHAIRMAN: Is maintenance of equipment carried?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Carried. The next is traffic expenses.

Mr. DEACHMAN: I want to ask something about traffic.

The CHAIRMAN: On page 16 you will find the details.

Mr. HOWARD: I want to put a question to Mr. Cooper. In your operating revenues your freight dropped from \$151,000,000 to \$137,000,000; your passengers dropped from \$18,944,000 to \$18,096,000. What is the percentage of the drop in those two? I was quite surprised. I thought the passengers had dropped away down.

Mr. HUNGERFORD: If you look at the text of the report at the front, you will find those figures, I think.

The CHAIRMAN: Yes, I think they are there; and they were discussed yesterday.

Mr. HOWARD: All right. I just wanted to get that.

Mr. DEACHMAN: I should like to ask this question.

Hon. Mr. HOWE: Freight decreased.

Mr. HOWARD: Yes.

Mr. COOPER: Freight is down 9·1 per cent; passenger revenue is down 4·5 per cent; express is down 5·7 per cent; telegraph is down 8·14 per cent and other revenue is down 2·96 per cent.

Mr. HOWARD: So your freight is down the most?

Mr. COOPER: Yes, 9·1. The revenue as a whole decreased 8·1 per cent.

Mr. DEACHMAN: Some years ago, when I was here in a somewhat different capacity, I remember a sharp criticism of the Canadian National Railway in regard to those traffic expenses. Traffic expense, of course, represents the cost of getting business, does it not?

Mr. HUNGERFORD: Yes.

Mr. DEACHMAN: I should like to know how traffic expenses measure up compared with what you have on other railways. Take, for instance, comparable railroads in the United States or the C.P.R. I know there is a difference in the method of accounting in traffic, but I should like to get an idea how you measure that percentage on earnings—what your traffic ratio would be as against earnings.

Mr. FAIRWEATHER: You could express it in that way, yes. We have the figures here, I think, if we can lay our hands on them.

Mr. DEACHMAN: Is that not down materially from last year?

Mr. FAIRWEATHER: Of course, our traffic expenses have generally been in line with the class one roads of the United States. We have never been out of line with class one roads in the United States.

The CHAIRMAN: Have you got those figures?

Mr. ARMSTRONG: Yes. The figures here are for 1938. This is a percentage of the total operating revenue. Canadian National, 2·82 per cent; average of all class one United States roads, 2·87 per cent; Canadian Pacific, 5·17 per cent.

Mr. DEACHMAN: Theirs includes steamships?

Mr. ARMSTRONG: Theirs includes steamships, yes.

Mr. DEACHMAN: They are not comparable.

Mr. ARMSTRONG: No.

Mr. DEACHMAN: Have you got one of the great roads in the States like the Northern Pacific or the Great Northern?

Mr. HUNGERFORD: That would not be comparable, because we operate in the east and they do not do that.

Mr. DEACHMAN: No.

Mr. FAIRWEATHER: I think we are more nearly comparable with the class one roads, on the average.

Mr. DEACHMAN: The class one roads would include a number of considerably smaller roads. You would have to have that, anyway.

Mr. FAIRWEATHER: Yes, but it averages up. I would say that is about as safe a comparison as any.

The CHAIRMAN: Transportation expenses. Carried.

Miscellaneous operating expenses.

Mr. KINLEY: Mr. Chairman, in connection with dining and buffet service the figures for 1937 are \$1,215,313.91. The figures for 1938 are \$1,181,190.56, showing a little less expense, a little more business, but still there is a great discrepancy between the revenues and expenses. In 1937 the revenue was \$771,938.79, and in 1938 it was \$773,471.63, leaving a deficit of \$400,000 or \$500,000 in connection with dining service. What do they include in the expenses, the hire of the car and the cost of hauling the equipment, or is it just the food?

Mr. COOPER: No, there is no charge in there for hire of the car or hauling the car. It is labour and supplies.

Mr. KINLEY: Just operating costs?

Mr. COOPER: The inside costs of the dining car.

Mr. KINLEY: The sleepers do better than that, do they not?

Mr. HUNGERFORD: Yes.

Mr. KINLEY: They run at a profit, but in connection with the dining car service they buy food and sell it and suffer a loss. There must be some reason. What is the experience of the C.P.R.? Do they lose on their dining car service?

Mr. COOPER: I have no doubt they do. I think every railroad does.

Mr. McKINNON: Do most of the railroads not charge up the haulage of their dining cars?

Mr. COOPER: Not to this account.

Mr. McKINNON: That is not figured in?

Mr. COOPER: No; that is a transportation expense.

Mr. KINLEY: If you added that in the loss would be tremendous.

Mr. HUNGERFORD: The items that go into this account are specified by the Interstate Commerce Commission.

Mr. KINLEY: This means that you buy food and serve it and lose nearly half a million dollars in serving it to the public.

Mr. HUNGERFORD: It is one of those necessary services that costs money.

Mr. KINLEY: I know, but the thing should pay.

Mr. HUNGERFORD: The only way to make it pay would be to increase rates.

Mr. KINLEY: You did better last year than the year before?

Mr. HUNGERFORD: Yes. I think we have experimented in every conceivable way in respect to rates for meals and services. We have tried to carry on experiments with almost every suggestion that has been made in past years, and the result does not vary a great deal.

Mr. KINLEY: What cost do you put on the meal? For instance, a dollar meal would cost what?

Mr. HUNGERFORD: I could not tell you.

Mr. KINLEY: You have a limit on them; if you go over a limit you check them up, do you not?

Mr. HUNGERFORD: Yes, we do; but I cannot tell you what the actual price of the meal would be.

Mr. KINLEY: No, no, but if the meal was over so much, you would know it. They do that in the hotels, they do that in the Chateau.

Mr. HUNGERFORD: It is very closely supervised by the superintending staff of the department, of course.

Mr. COOPER: We have a very detailed analysis of this account but unfortunately we do not have it here.

Mr. KINLEY: You think the loss is unavoidable in the dining service?

Mr. COOPER: Yes.

Mr. FAIRWEATHER: It is unavoidable if you desire to have dining car service on a train, but, after all, sir, when you try to furnish first-class restaurant service on a moving train under conditions that are applicable, and try to serve meals with the load factor that you get on the train movement, you cannot help having very high costs.

Mr. KINLEY: You are not paying for the movement of the train.

Mr. FAIRWEATHER: I am not saying the movement of the train; but if you went into one of our dining car departments, if you went into the steward's department in a dining car and saw the conditions under which the waiters and chefs work, you would realize, as one must realize, that the cost of performing the service under those conditions must necessarily be higher than it would be if you were not on a moving train.

Mr. KINLEY: I have been through them; they are well planned.

Mr. FAIRWEATHER: It is well run and well planned. But there are limitations of space; then on top of that the ability to serve meals is limited as compared with an hotel or restaurant in a fixed location. You have got to have your passengers on the train, you have to have the train there at meal time, and everything like that. While that is perfectly true of a long-distance

through train, it is not true of some of the inter-city runs in which you have a great deal of deadhead mileage. That is, you have to provide a crew, and you may have to pay the crew a whole day's pay when they only serve one meal for the convenience of the public. The cost of the whole day's pay has to be met.

Mr. KINLEY: Canada is a country of long distance.

Mr. FAIRWEATHER: Decidedly.

Mr. McKINNON: Is not the answer this; that if you were to charge the price you should charge to make it a success the public would not use the service?

Mr. FAIRWEATHER: It is a convenience for the travelling public, and I tried to make that plain. If you wish to serve meals on trains and you attempt to charge a price for the meal which covers the cost, nobody would take it.

Mr. KINLEY: Oh, I do not know about that.

Mr. McKINNON: You have tried that out, have you not?

Mr. FAIRWEATHER: Well, I have figured it out and I know what it would be. It would be prohibitive.

Mr. KINLEY: Take restaurants on the line, according to your figures most of them must be concessions to somebody.

Mr. FAIRWEATHER: They are profitable.

Mr. KINLEY: Of course you have those all over and they make a profit, but you have only \$10,000 worth of business.

Mr. FAIRWEATHER: I can only say, sir, that the cost of operating a dining service on a train is vastly different from the cost of operating a dining service in a restaurant.

Mr. McKINNON: Why do you lease out all those dining services.

Mr. FAIRWEATHER: At the stations?

Mr. McKINNON: At the stations.

Mr. FAIRWEATHER: It is considered good management to do it.

Mr. McKINNON: Well, do those institutions not make money?

Mr. HUNGERFORD: Not very much.

Mr. McKINNON: They should at the price they charge.

Mr. KINLEY: It is very reasonable.

Mr. McKINNON: If you buy a soft drink you pay ten cents while at other places you have only to pay five cents. That is one small item.

Mr. KINLEY: Absentee management is never as good.

The CHAIRMAN: The item of miscellaneous operating expenses is carried. General expenses.

Mr. HANSON: Before we go any further I have two more questions I should like to ask but I do not know whether they are proper questions.

The CHAIRMAN: Go ahead.

Mr. HANSON: I should like to know the total number of employees on the Canadian National system who are officials above the rating of general superintendent. Second, the total number of other employees. Third, the number of persons in the system drawing \$3,000 or more per year in Canada and outside of Canada. Are those proper questions to ask?

The CHAIRMAN: Of course, we have always objected in the past to giving the salaries of the high officials.

Mr. HANSON: I do not want any names.

The CHAIRMAN: I do not think there is any objection. Suppose, Mr. Hanson, they prepare a report and read it into the record at the next meeting, would that be satisfactory?

Mr. HANSON: Satisfactory.

Mr. YOUNG: What is the objection, if it is asked for, of giving the salary of any person in connection with the railroads?

The CHAIRMAN: This matter has already been brought up to my own knowledge here in this committee. As a matter of fact, a sub-committee of the committee was appointed to look into this question, and the management always claimed it was unfair for the Canadian National to give that information to the public that it should be given confidentially.

Mr. YOUNG: I was not going to bring the question up, but if anyone is going to assert that we have not the right to ask for that information it will precipitate quite a discussion in this committee to-day, because I am going to assert the right at any time, although I have decided that I am not going to ask for it. If anyone says we have not the right to ask and we have not the right to get such information, if anybody is prepared to make that statement—

Hon. Mr. HOWE: Everyone will be very silent on that point.

Mr. WALSH: I take the opposite point of view to Dr. Young on that question. I do not think the management of the Canadian National should be asked to give the salaries of even the office boys connected with that railway. Any information that is given to this committee is immediately public information. And I do not think it is fair to the Canadian National to ask them to develop information of that nature. That is one reason why I was not very insistent this afternoon in asking for information concerning a contract. I do not think it is fair to question them in connection with the granting of contracts or anything of that nature. We have appointed a board of directors, and officials have been appointed to operate the Canadian National, and we should expect them to operate that railway efficiently and effectively in the interests of the people of Canada. They cannot do that if this committee is going to ask for information along the lines suggested by Dr. Young. At least, I do not think so.

The CHAIRMAN: He has not suggested it.

Mr. YOUNG: I suggested that if anyone says we have not the right then I am going to say something.

Mr. WALSH: I want to register the thought that I do not think this committee should persevere in even entertaining the idea that they have that right. I think that is a reasonable protection that we should give to the officials of the Canadian National.

Mr. YOUNG: Mr. Chairman, I am not going to ask for it but I am going to say this: That there is not a salary, from the salary of the prime minister down, in any part of the civil service that is not known or can be known. There is not a salary from the salary of the premiers of the provinces to the salary of the last man in every province that is not known. The same is true with regard to every municipality. If this is going to be a government-owned institution and anyone is going to tell me that we have not the right to ask for that information, well, I say, let him say so, or let any of the officials say so, then we will discuss the matter.

The CHAIRMAN: The officials have always taken the stand that if this committee desired to have that information they were compelled to give it.

Mr. YOUNG: Exactly.

The CHAIRMAN: But what has been done in the past is this: That a sub-committee of this committee—I do not remember exactly whether it was in 1932 or 1933—was appointed to inquire into those details, and the details were given to this committee in confidence and were never published. Those are the facts.

Mr. YOUNG: That is all right.

Mr. MCKINNON: You have the total number of employees.

Mr. HANSON: I am not asking for any information concerning individuals; I am asking for the total.

Mr. DEACHMAN: It is not a matter of right that is involved, it is a matter of the advisability. We are concerned with the operating efficiency of the C.N.R. considered in relation to the factors of traffic density and operating conditions. If we catch them there I think it would be too bad for them.

Mr. KINLEY: Mr. Chairman, how are the salaries of railway officials determined, by themselves?

Mr. HUNGERFORD: Oh, no.

Hon. Mr. HOWE: By the board of directors.

Mr. KINLEY: Do you have any say in them?

Hon. Mr. HOWE: No, but we have the privilege of appointing the seven directors who determine the salaries.

Mr. KINLEY: They decide what the salaries will be and you fix their salaries?

Hon. Mr. HOWE: Yes, we fix the salaries of the directors and of the chairman of the road; the other salaries are fixed by the directors.

Mr. KINLEY: This matter of salaries is a rather important matter.

Hon. Mr. HOWE: We have a very tough board of directors. I am inclined to think they are too tough.

Mr. HUNGERFORD: I have no objection to advising Mr. Kinley that the procedure is this: The salary of anyone between \$3,000 and \$6,000 a year is determined by myself, but each move has to be reported to the directors. If there is any adjustment of salary over \$6,000, that has to be determined by the board of directors.

Mr. KINLEY: I suppose there are wages over \$3,000 in some instances?

Mr. HUNGERFORD: Yes; that does not apply to schedule provisions.

Mr. KINLEY: Mr. Hungerford talked of salaries over \$3,000.

Mr. HUNGERFORD: I am speaking of salaries—

Mr. KINLEY: I might as well be frank about this: The first thing a company in such a position does is to take care of salaries that are paid.

Hon. Mr. HOWE: That is done pretty thoroughly on the Canadian National. Slashes were much more severe in the head office than anywhere on the line.

Mr. KINLEY: It is just as well to keep that in the forefront.

Mr. DEACHMAN: Competition also enters into it.

Mr. KINLEY: I do not think there is much competition to it, if the old fellows want to get out and give the young fellows a chance to come up. Bring the young fellows along and give them a chance.

The CHAIRMAN: Now, gentlemen, I want to ascertain if you desire to read into the record all of these details or simply the summaries. I think the summaries would be quite sufficient. We all have a copy of the report. Coming to page 18, property investment accounts; we have gone through that. Shall the item carry?

Carried.

Transactions from the year 1930 affecting proprietor's equity. You have before you at the present time a report entitled, "Canadian National Railways Security Trust." Although Dr. Clark is unable to be here, Mr. Cooper has the figures in hand, and I would think it advisable to take this report and deal with it while we are on this item. The whole thing is included in the figures on the balance sheet. If Mr. Cooper would read the balance sheet I think that would dispose of the whole thing.

Mr. WALSH: We had all of this read last year.

The CHAIRMAN: Yes. I do not see any necessity for doing it. Do you wish this published in the report or simply approved by this committee?

Mr. WALSH: I would suggest we simply approve.

Mr. HANSON: I would like to ask the minister one question.

The CHAIRMAN: We are on transactions during the year affecting proprietor's equity.

Mr. YOUNG: I was going to ask about this question of interest. I notice a lot of 6 per cent interest all through this; are we still paying 6 per cent interest on everything?

Mr. MCKINNON: You bet you are.

Mr. COOPER: We are not now accruing interest on these government loans.

Mr. YOUNG: Is there anyone paying 6 per cent.

Hon. Mr. HOWE: We are not paying these now, they are all held by the Securities Trust, and they are simply held for any possible value they may have. The notes are not being paid, they are simply dormant.

Mr. YOUNG: Perhaps I should have mentioned this yesterday, but it will come in here just as well; are we still paying anything at the rate of 6 per cent on these perpetual bonds, are they still on a 6 per cent basis?

Hon. Mr. HOWE: That is, of course, another item. The next page shows the interest on securities.

The CHAIRMAN: Is the item carried?

Item agreed to.

The CHAIRMAN: On page 19: Funded debt—principal and interest:

Mr. HANSON: I want to ask the minister a question about this item of \$24,000,000, some of which is carrying 6½ per cent, and there are a few issues retired. I am glad to know that they are getting less and less each year. I would like to know if anything has been done towards reducing the 6 per cent issue?

The CHAIRMAN: This question was brought up last year.

Mr. HANSON: These are due in 1946; \$24,000,000, interest charge 6½ per cent. The interest this year amounts to \$1,575,470. Is anything being done to try to reduce that amount?

Mr. COOPER: Nothing can be done prior to maturity.

Hon. Mr. HOWE: Unfortunately, that is guaranteed by the Dominion of Canada. It is a guaranteed security and I do not think anything can be done.

Mr. VIEN: For the time being. They are in the hands of the public or the government, which?

Hon. Mr. HOWE: That is in the hands of the public.

The CHAIRMAN: The committee last year decided we would call the attention of the Minister of Finance to this condition and ask him to take whatever steps might be possible to adjust the matter. I understand they have taken the matter in hand, but to what extent they have made progress I am not in a position to say. It is not the officials of the railway who are dealing with this at all.

Mr. VIEN: I understand they buy on the market whatever is available?

Hon. Mr. HOWE: Yes.

Mr. VIEN: What Dr. Young had in mind would be to adopt a compulsory method of converting.

The CHAIRMAN: No, he does not go that far.

Mr. YOUNG: It was really in my mind though.

The CHAIRMAN: I thought I was practically repeating Dr. Young's statement of last year that he did advise that we should recommend to the Minister of Finance in our report that steps should be taken to adjust matters as fast as could possibly be done.

Mr. YOUNG: Practically. But I see the word "perpetual" here. I am just wondering—5 per cent perpetual. I have heard a good deal said about the fact that when we were going to do certain things that the word "repudiation" is usually attached to them. I hope that any parliament of Canada which could pass a Farmers' Creditors Arrangement Act would not be too bashful to suggest that something could be done in a matter of this kind. Every time I read this report I must say it is very difficult for me to agree that if some person at some time made such a stupid arrangement that this is going to go on for this generation, and as many other generations as may follow, still paying 5 per cent and nothing can be done about it. I think that is taking the wrong view. This is something which should be brought to the attention of whatever authority is proper in order that the matter would be immediately remedied. I cannot believe that where there is a wrong there is not a remedy.

Mr. WALSH: I agree with what Dr. Young has to say, and I do not think we are fulfilling our obligations to the public of Canada in perpetuating this perpetual investment. I recognize the fact that no doubt these are held by estates, being passed on from generation to generation with a presumed income over the years. I think, however, the matter could be satisfactorily adjusted by those holding bonds at the present time if they were advised that within a period of say ten years these bonds are going to be redeemed or replaced by the government of Canada. I do not think there could be any charge of repudiation on that, and it would give those holding these bonds an opportunity of readjusting their conditions and to invest their money in securities that would give them an equal income if they so desired, or to hold them until such a time as the period expired and the dominion government would take control. I will put that forward as a suggestion and I want to be fair to those who hold the bonds and those who are dependent on the income from those bonds for their livelihood. I recognize certain claims, and I would not like to serve notice on them that we are calling these in and calling them immediately, but I would serve notice on them that within a period of so many years these bonds are to be redeemed or renewed at the prevailing rate of interest, and that gives them opportunity to adjust themselves.

The CHAIRMAN: That is the recommendation we made in 1931.

Hon. Mr. HOWE: Unfortunately we are pressed on both sides on account of the Grand Trunk agreement. These particular bonds are part of the Grand Trunk agreement. We were forced to agree, under the terms of the arbitration, that we would pay these bonds to maturity, and on certain other bonds we were told we didn't have to pay. Now, you have two claims; some argue that we should pay these bonds that we don't have to pay on, and others are arguing that we should not pay on the ones which the arbitration said we must pay on.

Mr. WALSH: I quite agree with your contention, Mr. Howe. I do not know how my colleague thinks. I think, of course, the whole thing is a mess. When they took over the Grand Trunk and so on, it should have gone into liquidation and through the courts.

Hon. Mr. HOWE: I quite agree.

Mr. WALSH: Then the government could take over in the approved manner. The way the thing was done has left us with this added to our damage suit.

Hon. Mr. HOWE: I know.

Mr. WALSH: I want to find a way of eliminating this thing.

Hon. Mr. HOWE: You would not only have to call your bonds, you would have to repudiate your agreement.

Mr. WALSH: I would repudiate it.

Mr. VIEN: I find myself in agreement with Mr. Young and Mr. Walsh. I know the objection that has been put forward in previous years, that these items we are discussing are just a further expedient by the Hon. the Minister; but I think the conditions that obtained when the Grand Trunk was acquired and the agreement was arrived at in 1919—if I mistake not—have altogether changed. I know that the Department of Finance objected to this being done, because those who had invested in the perpetual bonds would consider it a breach of faith. I believe that those apprehensions are ill-founded. The world has gone apace in the last 15 or 20 years in finance as otherwise. Some 25 years ago if it had been suggested that Great Britain and France would default on the payment of their war indebtedness to the United States and other countries it would not be believed, and yet the world-wide depression of 1929 and the aftermath have justified these countries who generally respect their word and do not default on their investments—have justified these two countries to consider the situation as of to-day; and I believe that if we passed a law in parliament much along the lines suggested by Mr. Walsh—I would not indicate ten years, ten years is too long a period—I would say five years—it would have support. Of course, you could not do it except with legislation. But I would move, or second, if anybody is willing to move, as a part of the report of this committee, that we should advise the government to enact legislation to provide that within a period of years these bonds will be retired.

The CHAIRMAN: We did that last year.

Mr. WALSH: We didn't go quite that far.

Mr. VIEN: I don't recall that, I am speaking from memory. I don't recall that we did that last year.

Mr. HANSON: It was just suggested.

Mr. VIEN: I think it should be embodied in our report as a legislative suggestion; praying the government to introduce legislation to provide for the redemption of these bonds within a period of years at terms and conditions to be set out.

The CHAIRMAN: Would you make a motion to that effect?

Mr. VIEN: I would, certainly.

Mr. WALSH: Let me second that. I am on the other side of the house to these gentlemen. I want it to go to the house like a unanimous recommendation from the several sections of public opinion represented on this committee.

Mr. VIEN: If Dr. Young cares to propose it, it doesn't matter to me.

Mr. YOUNG: No, it is quite all right.

The CHAIRMAN: It is moved by Mr. Vien and seconded by Mr. Walsh that the committee in its own report advise the government that it is the desire of this committee that action and legislation if possible along the lines indicated should be taken.

Mr. VIEN: I would say, Mr. Chairman, that in the opinion of this committee legislation should be introduced to provide for the redemption of the five categories of perpetual bonds indicated on page 19 of the annual report of the Canadian National Railway system for the year ending December 31, 1938, under such terms and conditions as the Department of Finance may deem advisable.

The CHAIRMAN: Shall the motion carry?

Mr. DEACHMAN: Before this matter is dealt with I should like to ask first, what the Canadian National Railway pays now on money which it borrows? These are guaranteed by the government on a guarantee of the dominion government. I should just like a computation of the saving of interest which will be brought about by this action of ours. The reason I ask this question is that so far as I can recall this will be the first formal resolution of a committee of parliament or the Canadian House of Commons to give any intention of direct action in the way of repudiation. When that is done we can make up our minds that it will not be the end of such conduct; and I want to know in the words of a good French phrase, how much we are paying for our aprons in that way, because when we have let the world know that the Canadian government has definitely set aside a contract, even if a somewhat stupid contract, entered into as far back as 1875, and has done it for a relatively paltry sum, then I think it will have some effect on our credit and it ought to be very carefully considered. I go back to my point. Let us know the cost of money now, and what we will pay, the saving that will be made by our act of repudiation?

Mr. VIEN: Would you think that the financial world would be shocked at the idea that the Canadian people are converting into redeemable bonds, perpetual bonds issued so long ago, when conditions have changed? If it were something unreasonable I am quite sure that we should live up to our undertaking. For instance, if these were 25-year bonds and we wanted to redeem them in 5 years, it would be then, at least, within the possibility of the Canadian people to pay; but when you come to perpetual bonds, I believe the financial world would not consider it a breach of faith but a redress of an intolerable situation. I do not believe that it would have a detrimental effect on our credit because I think the financial world would hold that we were doing the only sensible thing that a parliament like the Canadian parliament could do in such circumstances. I would draw a line between breaking faith and a breach of contract and an act such as I suggest.

Mr. HOWARD: Mr. Chairman, I for a good many years advocated exactly what Mr. Vien and Mr. Walsh have said, but I am changing my mind on the situation.

Mr. DEACHMAN: That is good.

Mr. HOWARD: Let us not forget that we are now in a period of depression when money is exceedingly cheap. If things work out as we hope they are going to, the sooner we get back to high price money the better it will suit me and for this reason, that at least then we are into prosperous times when we have to pay high prices for money. Suppose we were to do as was suggested, repudiate, practically speaking, by giving a notice that on and after a certain date we are going to pay off these bonds. That is a definite repudiation on the part of the dominion government. Furthermore, the present finance minister, I know, would not agree to it. But suppose it is done and you want to raise money in the money markets of the world. It is going to stagnate our position more than the three and half million dollars you are going to save on that item. For that reason I should not like to see that motion carried. I think a better course is exactly what we are doing. We voted in the house the other day an amount of money and put it at the disposal of the Minister of Finance so that whenever these bonds are offered—and there are always some offered—they are purchased and taken out of the market and new ones put in their stead at a lower rate of interest.

Mr. VIEN: Would you think—

Mr. HOWARD: Let me ask you this question. Suppose money went back to 6 per cent and you had repudiated and reduced this to 3, would you favour putting it back to 6—

Some Hon. MEMBERS: No.

Mr. HOWARD: That is your answer. Let us be fair to ourselves and everybody else.

Mr. VIEN: Would you think that the Canadian people or the Canadian investors would resent this being done?

Mr. HOWARD: Surely. If you were taking that stand on all things, it would be different. For instance, the small property holders who have had the toughest time of anybody to pay their taxes and carry their property. Your principle is exactly the same. I insisted back in 1930 and 1931 that we try to reduce the mortgage rate of interest to small property owners. The cry was, oh, no, we cannot do it. Now, at this stage of the game, I am entirely against the repudiation of a debt contracted under those conditions.

Mr. DEACHMAN: There is one thing I want to point out. The repudiation of the United Kingdom debts to the United States has been brought up here to-day. You therefore see its significance. Once a break is made in the dam of public credit and confidence you can see where it spreads. That was an attitude that I think pretty nearly anyone could justify at that time because it was money spent in a common cause; yet that action has lessened and reduced the stability of credit throughout the world. There is another thing I want to recall to your mind. In 1854 and 1855, during the Crimean war, the government of Russia serviced its bonds in London during the continuance of the war, and that action of the Czar government at that time was the means of stabilizing the credit of Great Britain throughout succeeding years. The thing that is wrong with the world to-day—one of the main things that is wrong with it—is we have lost a sense of morality in regard to contracts. When we take that action there is no morality left, and when there is no morality left there is no democracy and no sane government. So, for this trifling item of two or three million dollars shall it be known to the world—

Some Hon. MEMBERS: \$9,000,000.

Mr. DEACHMAN: No, it is not \$9,000,000; it is not \$3,000,000. Call it \$3,000,000. For \$3,000,000 the government of Canada which up to date through every stress and strain has stood true to its obligations, shall begin to repudiate. If we start that, where do we go? Where is the next part?

Mr. WALSH: I want to emphasize this one point. The motion that we are considering here to-day is not by the most profound stretch of the imagination a matter of repudiation. There is all the difference in the world between what is suggested here and repudiation.

Mr. HOWARD: This is worse.

Mr. WALSH: There is nothing worse than repudiation. This is a fair exchange of bonds at the current rate of interest for those perpetual bonds. I would not quarrel with you if it was bonds that had a definite date to fall due, but these are bonds that are going on perpetually. Now, to my mind, if we adjusted ourselves—one gentleman here suggested that after all we are merely adjusting the situation to-day to what it was when these bonds were first put out. To my mind it would have no influence on Canadian credit abroad. Australia came out of the depression, and the chief reason why Australia came out of the depression was that they took all their funded debts, municipal, state and federal, and refunded them at the current rate of interest.

Mr. KINLEY: Within their own country.

Mr. WALSH: All right, within their own country and outside their own country.

Mr. HOWARD: No, only in England.

Mr. WALSH: Many, many bonds were held outside their own country. They were dealt with in exactly the same way. They did not repudiate, nor were they charged with repudiation, and their credit remained on the London market at least as high as the credit of the Dominion of Canada.

Mr. DEACHMAN: No.

Mr. WALSH: At least as high.

Mr. HOWARD: Away down.

Mr. WALSH: They may pay slightly higher rates at certain times and lower rates at other times. I am speaking of the average over a period of time. I believe the credit of the Commonwealth of Australia is as high as the credit of Canada in the money markets of the world, and I feel that the condition of the people in Australia—and my friend Mr. Howard here knows more about it than I do—is very much better than the condition of the Canadian people, and it is on account of our fear of doing a thing like this.

I thought this was going to be a unanimous expression of opinion of this committee.

Hon. Mr. HOWE: I think my hon. friend missed the point with regard to repudiation. These bonds were not issued by the government of Canada; they were issued by the Grand Trunk Railway. Now, we had arbitration some years ago over the Grand Trunk Railway as to the consideration for certain obligations. That was determined by a court set up by the government of Canada, and mandatory on the government. That court said in consideration for the railway you must pay interest on these bonds according to the face of the bonds. You are repudiating the views of the court of 1918, and we have been defending it in the court against other claimants right up to now—we just decided the last one a short time ago. If you repudiate the agreement you will have one of the greatest legal messes on your hands that ever happened, I believe.

Mr. VIEN: Could we know where these bonds are held?

Hon. Mr. HOWE: They are held in England.

Mr. VIEN: All of them?

Hon. Mr. HOWE: I think so, yes.

Mr. YOUNG: I am rather interested to listen to a man who usually talks a great deal of common sense. I refer to Mr. Deachman.

Mr. DEACHMAN: Thanks.

Mr. YOUNG: I must say that I differ from him entirely with regard to this matter. I find that the very youngest of these bonds has now reached the respectable age of 56 years.

Mr. HANSON: Some were issued in 1878.

Mr. YOUNG: The youngest one is 56 years of age. What the minister says is quite true, there was something in this agreement about paying these bonds. That is quite true. We have gone through such a remarkable situation in the last few years that every man and every woman in this country has been forced to look things over again. The parliament of this country passed the Farmers' Creditors' Arrangement Act. What is the principle there? Is it the fact that they are going to say to the people holding bonds: gentlemen, you are going to be paid the full value of these bonds, or this mortgage, or this debt? That is not what is being said at all. Is it being said in the second place that the interest rate that you are paying shall be reduced? Not even that. It goes one step farther and says, that there shall be even a portion of confiscation of capital, and the powers given to that board of review are such that they see that it does happen. Yet we are worrying in this room about a perpetual bond bearing a high rate of interest which the national income of this country cannot support.

Mr. HOWARD: At the present time.

Mr. YOUNG: At no time. Is it a fact that we are now going to sit down and say that we are going to agree to these perpetual bonds on this basis? As I understand the motion which was proposed by Mr. Vien and seconded by Mr.

Walsh, it is this: that we recommend to the government that this matter should be dealt with by legislation and that the persons should be notified within a given number of years that they are going to be paid in full and they can seek whatever other investments they desire thereafter. It is left entirely to the government both as to time and as to arrangement. That is as far as the motion has gone, and if any man can propose a more reasonable motion I do not know what it would be. I know perfectly well that some years ago when everybody was passing through different times from what we are passing through now, we sometimes hesitated to do what seemed like repudiation. The only repudiation at all in this is that we are offering to give them all their money, all their money at some future date, that is all. All the interest will be paid up to that date, and then if they can invest their money better at that time, they can do so. That is as far as this motion goes.

Mr. Chairman, I want to say something further that has nothing to do with this particular item. I should like to say that the sooner we in this country recognize that we cannot pay debts on this basis, on which they have been issued, the sooner we begin to get on our feet, and business will begin to grow again. However, that is another issue that I do not propose to open up now. But surely every man here can, with good grace, support this motion which places it before the government to give it more consideration or which says that it is the opinion of the committee that they should give it consideration.

Mr. KINLEY: I do not think I should like to vote without more information. It seems to me that the thing is involved, and we do not see it all at the moment and we are not well acquainted with it. It is a serious matter and it deserves thought. Mr. Young compares it to the Farmers' Creditors Arrangement Act. I regard the Farmers' Creditors Arrangement Act as doing more harm to the good farmers of this country than anything I know of. You destroy the credit of 95 farmers who are good men in order that five men who are no good may pay the minimum. The basis behind the Farmers' Creditors Arrangement Act is this. There is a farm and there is a payment of principal due. You cannot take blood out of a turnip: take the farm; you cannot get any more. We are not like the farmer who cannot pay his debts. I think there is a desire in this country to meet our obligations fairly. I think it would be a serious matter if word went out to the world that Canada is willing to repudiate her debts. I was talking to the export manager of one of the banks of this country when going down to the maritimes a few weeks ago; he said that when the Queen Mary came in two weeks before, the banks had to keep open all night. He said the amount of money coming from Europe would astound you. He said millions upon millions came. Look at the confidence there is reposed in this country by people in other parts of the world. Do not forget that people do not do these things unless they are in trouble. We are told what Australia does and what New Zealand does. They are people who are in trouble. We are told what people in Europe do. They are in trouble. A man who can pay his debts does not need these short cuts and these foolish things; and I do not think we have need of any.

Mr. HOWARD: They are not shipping any money to Australia?

Mr. KINLEY: No.

Mr. YOUNG: I am told they are, in very large sums.

Mr. KINLEY: The point is that we are premature in this thing. If the government want to repudiate their debts and they say so, we will all know where we stand. But for a committee of this house, with regard to a matter about which there is a twofold obligation, to get up and say that because we can chisel a few dollars in the percentage we should take such action as is suggested and report to the government in this regard is something with which I cannot agree.

The CHAIRMAN: I should like you to remember, gentlemen, that last year when this principle was discussed exactly the same arguments were advanced; and we never thought, after very mature consideration, that we should go as far as that. All we did was to make a recommendation to the Minister of Finance that such steps should be taken to remedy matters as the government might think fit to take. After all, it is a question of policy; and I doubt very much if this committee has power to really bring such a motion forward.

Mr. VIEN: It is an expression of opinion.

The CHAIRMAN: Yes, but it is pretty strong expression of opinion.

Mr. VIEN: In the opinion of this committee legislation should be introduced to provide—that is the tenure of the motion—if it is deemed advisable. The motion might be worded differently, to the effect that in the opinion of the committee the government should consider the advisability; but it is only a pious wish. I should like the expression of opinion of the committee to be a little stronger; and I think the motion as worded cannot be damaging to the credit of Canada.

Mr. DEACHMAN: I have just asked my friend to the right of me, Mr. Cooper, what the Canadian National Railways is paying for money, and I find it is 3·24 per cent; and \$184,000,000 of these perpetuals carry a rate of 4 per cent. The saving, therefore, would be ·76 of 1 per cent. That is what we will saw off.

The CHAIRMAN: Will you allow me to make a suggestion?

Mr. KINLEY: There is another thing to be considered, and that is that the railway is in the market for money every year; they are borrowing money every year. What effect will this have on the future borrowings of the railway, if they undertake it?

The CHAIRMAN: Will you allow me to read what we did recommend last year in the report? It is so near to the resolution that I do not think the wording should be changed.

The CLERK: That is Mr. Vien's resolution.

Mr. KINLEY: That included the whole structure.

The CHAIRMAN: The resolution is not as bad as it looks. The resolution states "that in the opinion of this committee legislation should be introduced to provide for the redemption of the five categories of perpetual bonds indicated at the top of page 19 of the annual report of the C.N.R. system for the year ended December 31, 1938, under such terms and conditions as the Department of Finance may deem advisable."

Mr. VIEN: So as to give a premium, to compensate for it. They might be redeemed at 102 or 105, if the department deems it advisable.

The CHAIRMAN: The report of last year says, "Your Committee cannot urge too strongly that the whole funded debt structure of the Canadian National Railways be fully examined and that a determined effort be made to refund at a lower rate the issues bearing interest at a cost out of line with the present conditions." That is pretty nearly in line with this.

Mr. WALSH: What was done on that last year? Was any action taken?

The CHAIRMAN: The Department of Finance has taken steps to redeem every one of those bonds that came on the market, and redeem them as fast as they can possibly do so.

Mr. CAMERON: Have any been redeemed?

The CHAIRMAN: Yes, I think so.

Hon. Mr. HOWE: Yes. An officer of the department went to Europe to study the situation there.

Mr. CAMERON: They are practically all held in England.

Mr. KINLEY: I would move that as an amendment.

The CHAIRMAN: We will have to put the motion to a vote.

Hon. Mr. STEWART: Mr. Kinley has expressed very clearly the thoughts that were in my mind regarding this. It seems to me that your explanation just now renders any action by this committee at this time absolutely unnecessary.

The CHAIRMAN: Exactly.

Hon. Mr. STEWART: It may appear to be a minor matter, but let us see where it leads or the direction in which it tends. At this time when there is abroad in the world a spirit of repudiation of solemn obligations, national, international, individual and when there is a spirit of Nazism abroad, it seems to me we ought to consider very, very seriously the possible effect that even a minor suggestion such as this might have. Mr. Young speaks about the Farmers' Creditors Arrangement Act. There has been a lot of criticism about it in the house; but remember, Mr. Chairman, that it was based on one principle, and that was the insolvency of the farmer, his absolute inability to meet his obligations. That is the foundation of it altogether. It was built upon that. In order to save the expense, the loss to the farmer going through bankruptcy by the greater part of his assets being dissipated and consumed in costs, as in ordinary bankruptcy, this scheme was devised, for the benefit of the creditors as well as for the benefit of the farmer; and the costs of bringing about the settlement or the distribution of his assets were paid by the government. That is altogether a different foundation and a different principle from what exists in this case, I submit. Surely we are not insolvent.

Mr. HANSON: We soon will be if a remedy is not found.

Hon. Mr. STEWART: What is that?

Mr. HANSON: The Canadian National Railways will soon be insolvent if some remedy is not found.

Hon. Mr. STEWART: I am not speaking of the Canadian National Railways; I am speaking about Canada, because this is an obligation of Canada. This will be misunderstood. In Great Britain I am sure it will be misunderstood; and it will have, in my opinion, a detrimental effect altogether out of proportion to any possible benefit or advantage that we can derive from it. I believe from what you say, Mr. Chairman, that the finance minister and the government have adopted a policy of going out and buying them where they can.

The CHAIRMAN: They have gone further than that. The minister has just informed you that a special officer of the Department of Finance is now in England, as a matter of fact, studying this matter.

Hon. Mr. HOWE: Has been in England.

The CHAIRMAN: Yes, has been in England.

Hon. Mr. STEWART: Yes. I understand the policy is that when they go on the market they can buy them and take them in.

The CHAIRMAN: Yes.

Hon. Mr. STEWART: That is sound. There is no objection that whatever. Possibly a voluntary conversion might be brought about as has been done in respect to some other liabilities. But to go on record that we, as a committee, favour the action that is being suggested seems to me to be a serious step and one that may be attended with serious consequences at this particular time and in the future. I do think we would be well advised to take no action whatever, in view of the action that we have taken in previous years and the action that the government is taking as a result of the suggestions of previous years.

The CHAIRMAN: Of course, we were not aware when this motion was made that the finance minister had taken steps to comply with the recommendation made by this committee. In view of this fact, will you withdraw your motion, Mr. Vien? Or do you still persist in it?

Mr. VIEN: Mr. Chairman, I am convinced that the motion is right and that the public at large and the financial world at large would not consider the action of parliament in redeeming perpetual bonds—not defaulting on the interest, not defaulting on the principal of the bond, but making it redeemable when it is perpetual—as repudiation, but would consider it only as a sensible act. However, there is nothing further from my mind than moving a motion that might be construed as repudiation. I am quite willing to listen to your suggestion, Mr. Chairman, and to those of the hon. minister, as well as to the advice of eminent economists like Mr. Deachman, Mr. Stewart, Mr. Howard and Mr. Kinley, who are men of experience in finance; and I should not like to set up my own judgment against their judgment. On the other hand, I should like this discussion at least to be a reminder—it will be on the record.

The CHAIRMAN: Certainly.

Mr. VIEN: I should like it to be a reminder to the government that we mean business, that it is not a pious wish, that we deem that perpetual bonds of this kind are an abomination and that we would be rather silly asses if we did not sooner or later come down to brass tacks with regard to perpetual bonds. We would pass in the world of to-day as silly asses if we went on with perpetual bonds forever and for all time to come. I think that those who will hold that it is repudiation to make perpetual bonds redeemable fail to appreciate the trend of mind of the people in the world to-day. We are no longer in a time like that of the pre-war days or even the days immediately after the war. When we find governments like those of Great Britain and France defaulting on their interest on war bonds and war debts I do not believe we should be ashamed of paying to the full everything that is due, but bringing the perpetual bonds to a close.

The CHAIRMAN: Will you permit me to interrupt you for a second, Mr. Vien? If you withdraw your motion—

Mr. VIEN: I am quite satisfied to do that.

The CHAIRMAN: As chairman of this committee I will undertake to have a note made in the report which, practically speaking, will embody the views that you have expressed in your motion. What I do not like is a formal motion being moved in this committee here when we can obtain the same object by a note in our report.

Mr. KINLEY: Be careful how you write it.

The CHAIRMAN: I shall do that. I shall draw it, to be discussed here and passed as you see fit.

Mr. VIEN: I am quite willing to abide by your suggestion, Mr. Chairman.

The CHAIRMAN: Many thanks, Mr. Vien.

Mr. WALSH: As seconder of the motion, I associate myself completely with the remarks of Col. Vien and withdraw it.

The CHAIRMAN: Many thanks. Carried.

Mr. YOUNG: Mr. Chairman, I take it that the sense of the committee is that a formal motion is perhaps inadvisable at the moment, and I suppose we agree to that. I am always interested in persons shedding crocodile tears when they are talking about the protection of capital. I sometimes move around and meet human beings, and to tell the God's truth I am more interested in human beings than I am in the preservation of capital.

Hon. Mr. HOWE: We are preserving both, though, are we not?

Mr. YOUNG: We have been preserving one too much at the expense of the other. I am one of those who believes very strongly and firmly that for years we have been paying an interest rate on money which has never had any solid foundation; it has always been too high. The sum total of this motion is that we recommend that certain things be done. To do what?

Merely to terminate a perpetual bond, not to take anything from anybody except that perpetual aspect of this case. Now, if it is going in the record as you suggest—

The CHAIRMAN: Yes.

Hon. Mr. STEWART: Have we not as a dominion just recently issued a new stock that is perpetual?

Mr. YOUNG: Yes.

Mr. KINLEY: It is callable.

Hon. Mr. STEWART: I think it is permanent. What is the difference between consols and a bond?

The CHAIRMAN: Mr. Stewart, you are satisfied with my suggestion, are you?

Hon. Mr. STEWART: Yes.

The CHAIRMAN: Carried.

Mr. HANSON: What is the motion?

The CHAIRMAN: The motion is withdrawn.

Mr. HANSON: On division.

The CHAIRMAN: Oh, no; make it unanimous, because we will have it in the report and will have occasion to discuss it when the report is brought down here.

Dominion of Canada—loans. Carried.

Mr. BARBER: I was going to ask about the guarantees by the provinces. That does not mean anything, does it?

Hon. Mr. HOWE: We are gradually taking those over as they come due. That is about the size of it. They are guarantees of the provinces at the moment, but we pick them up.

Mr. WALSH: There is one question I wanted to ask regarding the 3½ per cent advances, Trans-Canada Airlines Act, 1937, interest accrued, 1938, \$73,766.10; then on page 12 of the Trans-Canada Air Lines annual report we have interest on capital invested, \$104,852.68. Is there any connection between those two items; if so, what connection, and why the difference?

Mr. COOPER: Yes, there is a direct connection.

The CHAIRMAN: Would you mind bringing your question up again when we are discussing the Trans-Canada Air Lines in order not to mix up the two matters?

Mr. WALSH: It is under this item.

The CHAIRMAN: Yes, I know it is embodied in the capital loans. Well, proceed.

Mr. COOPER: There is a direct connection. We borrowed that money from the government and used it to purchase the stock of Trans-Canada Air Lines. We negotiated an interest rate of 3½ per cent, and, on the other hand, the Trans-Canada Act requires that the Trans-Canada pay 5 per cent on the capital employed in the enterprise. There is a difference in the rate as between the rate at which the money was borrowed by the Canadian National and the rate at which it was invested in Trans-Canada.

Mr. YOUNG: Why should there be a difference?

Hon. Mr. HOWE: To let the Canadian National make a little profit out of one of its subsidiaries.

Mr. HOWARD: Fine. Carried.

Mr. WALSH: Does the same reply hold good for the other item of 2 per cent Advances Refunding Act, 1938? If the government is advancing money to the Trans-Canada Airlines, which I presume it is, at 2 per cent—

Hon. Mr. HOWE: No, it is not. The government does not advance any money to the Trans-Canada Air Lines.

Mr. WALSH: To what does that item refer, 2 per cent Advances Refunding Act, 1938?

Hon. Mr. HOWE: Temporary loans to the railway under the Refunding Act.

Mr. WALSH: If I were the treasurer of the railway I would borrow a considerably larger sum than \$21,000,000 and pay back all these 3½ per cent items.

Hon. Mr. HOWE: It is a different kind of money. We can borrow money on treasury bills for half of one per cent per annum as a government, and we do loan moneys for temporary advances to the railroad at something comparable to the rate on our short-term money. But when the railroad invests any money direct, of course, they have to pay the long-term rate.

Mr. WALSH: These other 3½ per cent items are long-term items?

Hon. Mr. HOWE: Yes.

Mr. WALSH: And the 2 per cent item is a short-term item?

Hon. Mr. HOWE: Yes, just a temporary advance.

The CHAIRMAN: Investments in affiliated companies. Carried.

Major contingent liabilities. Carried.

Schedule of companies comprising the Canadian National Railway System. Carried.

Mr. HOWDEN: Are they getting any less?

The CHAIRMAN: No; they are disbanding some.

Statement of revenue tonnage by commodities for years 1937-1938. Carried.

Revenue tonnage by commodities. Carried.

Mr. DEACHMAN: With regard to your traffic, would not the upturn of the building business be a tremendous help to your traffic? A lot of traffic that used to be moved in connection with the building industry has been lost as the building industry is as dead as it possibly could be. Is that material, or much of it, moved by truck, or is not the larger percentage of it moved by rail?

Mr. FAIRWEATHER: Of course, generally speaking, the heavier commodities tend to move by rail. Low-grade commodities, such as cement, bricks, lumber and stuff like that hauled any considerable distance, certainly would be moved by rail.

Mr. DEACHMAN: So the upturn of activity in the heavier lines of industry would be of great additional help to the railroad?

Mr. HUNGERFORD: Of great help.

Mr. MCKINNON: In regard to ties, I have had a number of complaints from tie producers in my district that the rates paid for ties by your company are higher around Ottawa and this part of Canada than they are up in Northern Ontario. Is that correct?

Hon. Mr. HOWE: Perhaps Mr. Vaughan could answer that.

Mr. VAUGHAN: I did not get the question.

Mr. MCKINNON: I have had a number of complaints from tie operators in Northern Ontario to the effect that the rate paid for ties by your company is higher around the Ottawa valley than it is up in Northern Ontario where their rate of wages is higher.

Mr. VAUGHAN: That is not correct, sir.

Mr. MCKINNON: The price paid for ties around here is the same as is paid up there?

Mr. VAUGHAN: Up in northern Ontario?

Mr. MCKINNON: The price is the same?

Mr. VAUGHAN: Yes, sir.

The CHAIRMAN: Carried.

Details of Railway Equipment. Carried.

Statistics of rail-line operation. Carried.

Mr. YOUNG: Mr. Chairman, there is just one item to which I should like to refer having to do with gasoline, petroleum oils and that sort of thing. To-day in the room I spoke to the traffic manager of the Canadian National and there is some information I want to get with regard to the rates for carrying these various commodities. He has agreed to supply me with that information, and I merely wish to mention it for the record so that it will not be overlooked.

The CHAIRMAN: Carried.

Employees and their compensation. Carried.

Distribution of the dollar.

Mr. HOWARD: That is what we are dealing with.

The CHAIRMAN: Approved.

Operated mileage, December 31, 1938.

Mr. EMMERSON: In connection with the item "Atlantic region," what does it mean by "mileage of trackage rights—1st main track 82.95 miles"?

Mr. ARMSTRONG: That will be the Canadian Pacific joint trackage in the Atlantic region—Westfield Beach to Saint John, and Fredericton to Vanceboro. We have joint running rights over the Canadian Pacific between those points.

Mr. EMMERSON: The C.N.R. has?

Mr. ARMSTRONG: Yes, sir.

Mr. EMMERSON: Between what points?

Mr. ARMSTRONG: Between Westfield Beach and Saint John. That is a short line, about 15. And between Fredericton and Vanceboro. Vanceboro is in Maine. It is just over the border.

Mr. EMMERSON: The C.N.R. have running rights between Fredericton and Vanceboro?

Mr. ARMSTRONG: Over the Canadian Pacific.

Mr. HOWARD: Compulsory co-operation.

Mr. ARMSTRONG: No, sir.

Mr. EMMERSON: When did the C.N.R. operate trains over that line from Fredericton to Vanceboro?

Mr. ARMSTRONG: They made an agreement, I think it was in the twenties, although I could not give you the date exactly, to operate trains between Fredericton and Vanceboro over the Canadian Pacific.

Mr. EMMERSON: They made an agreement but they do not necessarily use it.

Mr. ARMSTRONG: They operated that for a number of years, but recently, in 1933 or 1934, they made an arrangement with the Canadian Pacific. Although they retain the rights, the Canadian Pacific handles the freight traffic in Canadian Pacific trains under a supplementary agreement.

Mr. EMMERSON: The C.N.R. does not actually operate the trains between those two points?

Mr. ARMSTRONG: No, sir, that is correct; but this underlying agreement is for running rights.

Mr. KINLEY: Mr. Chairman, with regard to the road from Middleton to Bridgetown, I believe the railway company has justified the closing up of the line. Is that true, Mr. Hungerford?

Mr. HUNGERFORD: Yes.

Mr. KINLEY: I am told you are going to build a spur from Bridgetown to the D. A. R.

Mr. HUNGERFORD: That is the proposal.

Mr. KINLEY: I am also told that the spur will cost as much as to maintain the line, and that you will leave out Clarence and other important centres that have apple warehouses which you will not serve.

Mr. FAIRWEATHER: That latter statement is not correct.

Mr. KINLEY: Which statement is that?

Mr. FAIRWEATHER: The statement about the maintenance.

Mr. KINLEY: I am told that the spur will cost as much as to maintain the line. You will have to build a bridge across the Annapolis River, will you not?

Mr. FAIRWEATHER: No. The spur takes off on the same side of the river as the Canadian National line. The Dominion Atlantic Railway crosses the Annapolis river just to the east of Bridgetown. The spur is to the east of that bridge, so that the spur is on the same side of the river as the Canadian National line, and the spur is a relatively short spur and the cost of the construction of it together with the maintenance of the spur is considerably less than the cost of maintenance of the piece of track which it is proposed to abandon.

Mr. KINLEY: You have a crew of only three men on it now, have you not?

Mr. FAIRWEATHER: That may be entirely correct, but the maintenance of that line over a period of years—

Mr. KINLEY: Twelve or fifteen miles?

Mr. FAIRWEATHER: Nearly fifteen miles, and the spur I think is less than one mile.

Mr. MCKINNON: Mr. Fairweather, I have heard that you propose to construct a spur from the Canadian National line at Atikokan in to the new iron deposits there.

Mr. HUNGERFORD: I can answer that. It all depends on the development of the iron mine.

Mr. MCKINNON: Nothing is assured yet?

Mr. HUNGERFORD: No, it is purely a matter of speculation as yet.

Mr. MCKINNON: As far as this year is concerned it is up in the air?

Mr. HUNGERFORD: Yes.

Mr. DEACHMAN: I would like to slip back to the distribution system. In regard to your fuel costs, what is the added cost to the Canadian National Railways through the use of Nova Scotia coal?

Mr. VAUGHAN: Nothing.

Mr. DEACHMAN: Your fuel price is as low as the Canadian Pacific?

Mr. VAUGHAN: Yes, sir.

Mr. DEACHMAN: And there is no added cost in bringing the coal to Montreal or down—how far does Nova Scotia coal move out this way?

Mr. VAUGHAN: We take Nova Scotia coal on the transcontinental as far west as Hearst, and we bring it in some cases as far as Toronto.

Mr. DEACHMAN: When you bring it as far as Toronto, would that cost as much as fuel from the United States?

Mr. VAUGHAN: No, it does not. What we do is this; we say to the Dominion Coal Company or the coal company concerned: the price of American coal at Toronto is so much, we will take your coal if you meet that price less cost of handling and haulage. Haulage and handling charges are taken into consideration. Then they go to the government and get a subvention.

Hon. Mr. HOWE: It is paid for out of another pocket.

Mr. KINLEY: Have you got anywhere on your agreed charges; have you made any contracts?

Mr. YOUNG: That was discussed yesterday.

Mr. HUNGERFORD: I think I spoke about that yesterday. We have made no contracts yet.

Mr. KINLEY: Are you going to invade the situation in the near future?

Mr. HUNGERFORD: We hope to.

The CHAIRMAN: Shall the report carry?

Report carried.

The CHAIRMAN: Is it your pleasure to sit this evening at half-past eight to consider the rest of these reports. There are just two reports left.

Mr. VIEN: Why cannot we deal with them now?

The CHAIRMAN: I am quite willing.

Mr. WALSH: I wanted to suggest something in connection with the Trans-Canada Air Lines. I do not want to hold up the committee if it is the desire to get through. We all hear that the Trans-Canada Air Lines developed under Mr. Howe and the Department of Transport are doing exceptionally good work and making exceptionally good progress. We had a very elaborate report from Mr. Fairweather yesterday on the terminal development, and so on. I think from what we hear of Trans-Canada Air Lines it is something to the credit of Canada and very much to the credit of the present Minister of Transport and the management of the Trans-Canada Air Lines. I was wondering if it would be of any real use to the Trans-Canada Air Lines if we could have Mr. Johnson come before our committee when this report is being considered.

The CHAIRMAN: He is here now.

Mr. WALSH: He could give us a talk, and a more complete report than we have here on what they are doing and what they propose to do. I consider that it would be an excellent advertising meeting for the Trans-Canada Air Lines and it would give the members and the people of Canada generally a better understanding of the developments that have taken place and that will take place and the excellent progress that has been made.

The CHAIRMAN: Now, gentlemen, we have these items: On item 442, Maritime Freight Act—this is statutory and I do not see why we should not pass that here.

(Item agreed to.)

Item 447, Maritime Freight Act—the same thing.

(Item 447 agreed to.)

Item 474, Canadian National (West Indies Steamship Service)—shall the item carry?

Mr. KINLEY: What are you on now?

The CHAIRMAN: These are items brought down to the house in the supplementary estimates. This item 588, Canadian National Railways, is a big item but it is in the estimates and what can we do but pass it?

Hon. Mr. STEWART: What is the amount involved in that item?

The CHAIRMAN: The amount is \$43,750,000.

Mr. WALSH: Is that the estimated deficit for next year?

The CHAIRMAN: That is it.

Mr. WALSH: Might I ask Mr. Cooper, while he is here, just for information, if that \$43,000,000 odd item is going to be as nearly correct as a budget item as was the \$42,000,000 of last year?

The CHAIRMAN: That is what they state in their report.

Mr. HUNGERFORD: I shall attempt to answer that. The determination of revenue in advance is always difficult; sometimes it may be done with a fair degree of accuracy and sometimes the reverse. In respect to 1938 we did not

come as close to the figure in our estimate as, perhaps, we should have liked to. But, taking everything into account, at the present time, as far as we can foresee, we should come reasonably close to the figure that has been submitted.

Mr. WALSH: It will be recalled that last year I urged this before the minister, that if the deficit was going to be nearer \$50,000,000 than the amount that was then estimated it would be desirable that the larger amount should be indicated as the estimate. To put it in at such a low figure as was done for 1938 and then to have the deficit exceeded by \$11,000,000 to \$12,000,000 does not give the public a correct impression of the operating deficit of the Canadian National Railways.

The CHAIRMAN: Can't you be kind and leave them a little leeway?

Mr. WALSH: I don't mind leaving them a million or two, but I do not think the difference should be as great as is indicated here.

Hon. Mr. HOWE: I might answer that in this way: Is it wise to tell the Canadian National to budget for a deficit of \$50,000,000 for next year when they might get through for much less? Is it not better for them to work on a budget deficit of \$40,000,000, and then tell them: if you must have more you have got to come up and ask for it; we are not going to give it to you now. I think we could encourage the Canadian National Railways to ask for more than they are likely to need.

Mr. WALSH: I would like to see it a little bit closer than \$11,000,000 or \$12,000,000.

Mr. HOWE: Who could foresee the slump that took place last year? Can anyone foresee what the crop is going to be this coming fall?

Mr. HUNGERFORD: I will be very much obliged if anyone will tell me what the gross earnings are going to be this year.

The CHAIRMAN: On item 589—Prince Edward Island Car Ferry.

Item agreed to.

On item 590—Trans-Canada Air Lines—\$498,000.

Item agreed to.

Gentlemen, shall we meet at half-past eight? All we have to deal with is the Canadian Merchant Marine and the Trans-Canada Air Lines.

Some Hon. MEMBERS: Agreed.

The committee adjourned at 6.00 o'clock p.m. to meet again at 8.30 o'clock p.m. to-day.

EVENING SESSION

The committee resumed at 8.30 p.m. Sir Eugène Fiset in the chair.

The CHAIRMAN: Gentlemen, I see a quorum. The first thing we will take up is the Canadian National (West Indies) Steamships, Limited. Mr. Vaughan is here to explain anything you may want on the subject matter. Mr. Vaughan will you take the report and read it, please?

Mr. VAUGHAN: (Reads)

ANNUAL REPORT

MONTREAL, March 20, 1939.

The HONOURABLE C. D. HOWE, M.P.,
Minister of Transport,
Ottawa.

SIR,—On behalf of the Directors, I beg to submit the Annual Report of the Canadian National (West Indies) Steamships, Limited, for the year ended 31st December, 1938.

The improvement in the company's business noted in the reports for the last three years was further extended during 1938.

The comparative operating results are as follows:—

	1938	1937	Increase	Per cent
Operating revenues	\$4,915,355 40	\$4,676,684 10	\$238,671 30	5·10
Operating expenses	4,169,115 63	4,018,146 35	150,969 28	3·76
Operating profit	\$ 746,239 77	\$ 658,537 75	\$ 87,702 02	

Operating revenue increased \$238,671 during the year. Freight revenues increased \$147,578. Passenger revenues increased \$62,342, and miscellaneous revenues increased \$28,751. The increased freight revenue was principally from export traffic. The increase in passenger revenue reflects the continually increasing popularity of the company's services. Since 1932 passenger revenues have increased approximately \$100,000 per annum. The increase in miscellaneous revenues reflects the charter of S.S. "Cornwallis" carrying nitrate from Chile to United States ports.

Operating expenses increased \$150,969 or 3·76 per cent as compared with an increase of 5·10 per cent in revenue. The increase reflects the cost of handling the additional business and the restoration of basic rates of pay.

After payment of bond interest but before depreciation and interest on Government advances, there is available \$276,239·77, which will be paid to the Government as interest on advances. The corresponding figure in 1937 was \$188,537·75.

The vessels of the fleet were operated without serious casualty.

Acknowledgment is made of the loyal and efficient service rendered by the officers and employees of the company, both ashore and afloat.

For the Directors,

S. J. HUNGERFORD,
President.

The CHAIRMAN: Gentlemen, the consolidated balance sheet which is certified by George A. Touche & Co., is the next document before us; shall we take it as read?

Mr. BARBER: Has there been any reduction in the fleet?

Mr. VAUGHAN: No, we have exactly the same number of vessels.

Mr. BARBER: As last year?

Mr. VAUGHAN: Yes.

The CHAIRMAN: Now, gentlemen, we will call on Mr. Johnson who will give us a statement regarding Trans-Canada Air Lines that will not take more than half an hour, but which will be to the point.

P. G. JOHNSON, Vice-President in Charge Operations, Trans-Canada Air Lines.

Mr. Chairman and gentlemen, I had not expected to give a talk, but I will try briefly to outline what has been accomplished in the last twelve months, and I am not going to bore you with the details. Briefly, we set up an organization which divided Canada into two general divisions, the eastern division and the western division with a division point at Winnipeg. At Winnipeg we established operation headquarters and then proceeded to build up our organization. Our first job, of course, was to establish a training school through which we could train the pilot personnel, the despatchers and the mechanics in the particular technique that is required for this type of work. That consumed the better part of the first year, and has resulted in an organization which now numbers about 450 people of whom about 10 per cent are pilot personnel and the rest of them are divided up amongst mechanics, despatchers, radio operators and so forth. We also established across Canada from Montreal to Vancouver and from Lethbridge to Edmonton a series of radio stations so that we now have in operation, I think, about fourteen in number of radio stations which enable us to keep in contact with our ships when they are in the air and allow our ships to keep in contact with us or with the ground stations and also enables one station to talk to another station. We have also worked very closely with the Department of Transport in the establishment of airway facilities such as radio ranges and meteorological service, to the end that we have now a complete airway operating from Vancouver to Montreal via Lethbridge, Regina, Winnipeg, Wagraming, Kapuskasing, North Bay, Toronto, Ottawa and Montreal. It is anticipated that in the near future it will be extended to Moncton, New Brunswick.

The equipment at July 1, 1937, consisted of three Electras 10A type on order and four 14's, which is a little different type of aircraft and is a type we are now using on the Trans-Canada. They had not been delivered at that time, and in order to start work on our training program we purchased two of the 10A type of aeroplane from the Canadian Airways who were operating between Seattle and Vancouver, and by that purchase we inherited the mail contract between those two points. Subsequently we ordered an additional number of 14's so that our fleet consisted of fifteen aeroplanes up until November, 1938, and we lost one in the crash at Regina. In July of 1938 we began an experimental service of carrying mail matter that was offered by the post office from Winnipeg west by daylight to Vancouver. Subsequently, that was changed to a night operation, and then in October, 1938, we started carrying air mail or surcharge mail, from Winnipeg to Vancouver. As of December 1, 1938, the service was extended eastward to Montreal and Toronto and air mail was carried. At about that time we also commenced carrying express over the entire system. On March 1, 1939, we changed the eastern half of the route over to a night schedule, and it has been operating on that basis since that time. No passenger service was offered during the year, except on the Seattle-Vancouver run. On April 1, 1939, we began carrying passengers for

hire on the entire service, and we are now continuing to do so. The operation has been reasonably successful. The performance is comparable to any performance in North America during a similar period. As a matter of information, during December of last year and January and February of this year our percentage of total mileage completed as compared with the total mileage schedule was around 95 per cent or better, which is a good average under any circumstances. The route is not particularly hard to fly, and has certain advantages and certain disadvantages. Our biggest disadvantage is probably yet to come, and that is what happens to the fields, particularly in northern Ontario, during the spring break-up. We are just going through that phase of the problem at the present time. That is the most serious thing facing us at the moment, and it is anticipated before the summer is over that we will have an answer and that the operation will be based on this year's experience.

As you know, we are part of the Canadian National system, and as a result we have tried not to duplicate in our organization any department that we can properly use in the Canadian National organization. That means that work incidental to the purchasing branch, the advertising, publicity, legal and accounting departments and so forth is handled through the railway system. That has been done in the interest of economy.

Now, none of us knows exactly what the reception is going to be to our service. It is significant, however, that starting practically from a scratch and introducing a service, the mail loads have now risen so that during the past week they are averaging considerably better than 1,000 pounds of mail a day. We anticipate that if we can carry between 2,500 and 3,000 pounds of mail a day the post office will break even on the carriage of mail. In other words, they will recover in stamp sales as much money as the service costs to the post office department. What the passenger business will amount to, of course, is something nobody can predict. To-day with about two weeks behind us we are carrying passengers at a rate of income of about \$50,000 a month and that can be expected to be increased, especially during the months of May, June, July and August. At the moment we are running about 50 per cent capacity. In other words, our ships are carrying about five pay passengers on each schedule. We are running at the moment one trip a day between Montreal and Toronto and Toronto and Vancouver. We are running two round trips a day between Lethbridge, Calgary and Edmonton and two round trips a day between Vancouver and Seattle. The reason for the two round trips between Lethbridge, Calgary and Edmonton is in order to make connection both ways for those cities. The two round trips between Seattle and Vancouver are operated simply to make better use of the equipment. We have to assign two aeroplanes to this service so we might as well use them as have them in the hangars, and by so doing we have increased the carriage of mail on that particular route and also the carriage of passengers.

We have completed during the year an interline arrangement with all the air lines in the United States except one, and we have just to-day received permission from the United States government so that we have a licence to fly across the state of Maine which means that we can now proceed with the development of the air ways east of Montreal. That work is in hand in so far as the Department of Transport is concerned, and as the weather permits they will get along and complete the fields at Megantic, Blissfield and Moncton. Trans-Canada Air Lines is now prepared to begin construction of their hangar facilities at Montreal and also at Moncton as soon as the field at Moncton is ready.

It is rather difficult to give you a comprehensive report extemporaneously and, perhaps, there are a number of questions in your mind which you would like to ask me. I have tried to tell you in a rather sketchy sort of way what we have been doing. I might say that we have tried to hold the organization

down to as small an organization as we can. We are trying to make it a small and flexible working organization, and we are endeavouring to build it up on the basis of a team rather than upon any individual star performer or anything of that kind; so that we have a closely knit and well organized working organization. We work in close harmony with the Department of Transport and with the Post Office Department, and both of these departments have been most helpful in solving our problem.

Now, if there is still time I shall be happy to answer any questions that might occur to you gentlemen and, perhaps, bring up matters that are in your mind and which have slipped by me while giving this rather brief report.

Mr. BARBER: Mr. Johnson, in regard to revenues. I might say first of all that I have had the privilege of travelling on your lines and I was very much taken with the service and with the personnel. Of course, the question of revenue arises in the mind of the public. Would the revenues derived from the carriage of mail pay the cost of the service?

Mr. JOHNSON: At the present time and with only one schedule a day across the country I would say the present revenue from the carriage of mail will not pay the cost of the service. At the moment our cost of operation is slightly higher than comparable service in the States. However, as the frequency of service increases, and assuming that we can do the work with the same fleet that we now have, we expect, after our personnel are fully used to the job and we have got the rough edges worn off the thing, that we can operate for approximately 65 cents a mile. We are at present being paid 60 cents a mile by the Post Office Department.

Mr. BARBER: In other words, three or four passengers carried only—

Mr. JOHNSON: In time I believe that a 50 per cent load factor and the revenue from the Post Office Department at about the same figure will cover the operation cost of the T.C.A. That is assuming that we can use the present equipment. However, if the demand of the service requires other equipment, that is another problem.

Mr. EMMERSON: You spoke of the number of ships last fall as fourteen. Is the number still fourteen?

Mr. JOHNSON: No, we had fifteen last fall; we now have fourteen. We lost one by accident.

Mr. BARBER: Was that a Lockheed 14?

Mr. JOHNSON: Yes, a Lockheed 14.

Mr. EMMERSON: You have fourteen Lockheeds?

Mr. JOHNSON: No; we have nine Lockheeds. We have thirteen aeroplanes at the present time. We sold one of the Electras to the Department of Transport. We have four Electras. They are a smaller type of ship and we have nine 14's, and we have one 14 on order to replace the one that was lost.

The CHAIRMAN: Gentlemen, do you want to peruse the report, or shall we take it as read?

Mr. YOUNG: Have you any statement to make about the accident, Mr. Johnson?

Mr. JOHNSON: No, I think that was fully covered in the investigation that was carried out by the Department of Transport which appointed a board of survey, and there is nothing I could say that would be in any way different from the findings of that board.

Mr. YOUNG: Have the findings been made public?

Mr. JOHNSON: Yes, that report was published.

Mr. BARBER: Is there any considerable revenue from express?

Mr. JOHNSON: Express revenue is and will always be a poor third. Starting from no express revenue at all, our net express revenue now amounts to about \$1,500 a month.

Mr. BARBER: Is that handled in combination with the Canadian National?

Mr. JOHNSON: The Canadian National Express handles our work for us. We work in close harmony with them, and they carry out a pick up and delivery service and we do the carriage by air.

Mr. EMMERSON: On page 7 I notice that the number of personnel is given as 332 whereas you said there are 450. Has there been an increase?

Mr. JOHNSON: Yes. That, of course, is the increase that is going on from month to month. That figure of 332 was as of the 31st of December and since then there has been an addition of about 100.

Mr. BARBER: You maintain about forty pilots?

Mr. JOHNSON: We have forty pilots in actual service or thereabouts—there may be one or two less than that—but about forty in actual service, and then we have in training—we are trying to have in training about ten pilots.

Mr. BARBER: And I understand that all those that are in the service have had experience of about 700 hours or over.

Mr. JOHNSON: We draw nearly all our pilot personnel from the other operators in Canada, like the bush operators and certain fixed base operators, some came from England—we got two or three from Imperial and British Airways—but generally speaking they came from operations in Canada; and these men all had considerable amount of experience running up into 4,000, 5,000, 6,000 or 7,000 hours. They had with us, during the training term, 300 or 400 hours in the type of plane and under the conditions that we operate the air lines before they were turned loose as pilots on a regular run. From now on we will not put on any more captains or so-called first pilots, but we will put on the second pilot or assistant pilot and as vacancies occur we will pick from those to fill in, and from the new recruits we will fill in the second pilot positions.

Mr. BARBER: You made mention of the trouble you are having with your fields and the experience you are having with them is with the rolling of the snow, is it not?

Mr. JOHNSON: Yes.

Mr. BARBER: It is a question now of rolling or removing the snow, is it not?

Mr. JOHNSON: I am not prepared to give you the answer to that. The point is that if we remove it by blowing or by some such mechanical means it runs into rather a large capital sum of money for a very few weeks' use. Now, it is quite possible that we may discover a means—and we are working and studying on it—a means of combining rolling and scraping and scarifying and manually hauling away the snow that will solve the problem. We expect after this year's operation, however, to have something that will be of use for next winter.

Mr. HANSON: What is the difference between the charge by airship and the express charge of the railway?

Mr. JOHNSON: I cannot give you that exactly. It is considerably higher. Air express rates are approximately the same as air mail rates.

Mr. HANSON: They double.

Mr. JOHNSON: Yes, that is right.

Mr. HANSON: Is there any limit to the weight of express for air mail?

Mr. JOHNSON: Yes, there is a limit to the size of the package that we can handle because it is limited to the size of the compartments, and I think we have a limit in weight of 500 pounds for any one package.

Mr. EMMERSON: Does the extension of the service to Moncton depend upon the airport at Moncton—the completion of it—or will intervening points be completed?

Mr. JOHNSON: It depends upon both. It depends upon the completion of the airport at Megantic, which is at the border of Maine and Quebec, and the completion of the radio range at that point, and the same is true for Blissfield, New Brunswick, and of course, the completion of the field at Moncton, all of which are started and are in hand. However, the winter has prevented any work being done. As soon as the break-up is over and the frost is out of the ground—and I am sure the Department of Transport has that in mind—the work can be completed.

Mr. WALSH: Where is Blissfield?

Mr. JOHNSON: About 144 miles direct east of Megantic. I think it is in New Brunswick.

Hon. Mr. HOWE: It is south of Fredericton.

Mr. MCKINNON: What do you base your passenger rate on?

Mr. JOHNSON: It is more or less set for us by the Trans-Canada Act which, I think, has a requirement that the tariff must be competitive with similar services in the States, and the basic rate there is 6 cents a mile. It varies below that in some instances. Where we have any competition between two points in Canada or where it is possible to go by routes in the States we meet that rate; otherwise our rate is 6 cents a mile.

Mr. MCKINNON: Are your planes flying the beam?

Mr. JOHNSON: Oh, yes, they have been flying the beam ever since we started operation.

The CHAIRMAN: Are there any other questions, gentlemen?

Mr. WALSH: Is there any particular reason why Megantic was selected rather than, say, Sherbrooke?

Mr. JOHNSON: A reason was that it lies almost in a direct easterly line from Montreal. That run has to be run on a non-stop basis directly across, and so it happened to fall across or nearly directly east across that line. That is one reason.

Mr. WALSH: The airways are concluding their service at Moncton, are they not?

Mr. JOHNSON: That is the present plan.

Mr. WALSH: Does your company contemplate an auxiliary service to Halifax?

Mr. JOHNSON: As yet we are not contemplating any auxiliary service, but there are services out there to take care of Halifax, Saint John and Fredericton; in fact, one of them is beginning operations at the present time, or re-beginning operations.

Mr. WALSH: And to the island as well?

Mr. JOHNSON: That is right.

Mr. WALSH: And this service will be so timed that this can fit in with the time table of the other service.

Mr. JOHNSON: That is right. We have tried to follow the policy of not engaging in services where we could not use equipment that was of the type used on the trans-Canada in the interest of economy. Obviously we want as few types of equipment as we can have; where it is necessary to use smaller equipment it is felt that they might better be operated by others than by Trans-Canada Air Lines.

Mr. WALSH: I was thinking of a mail service and passenger service for ports like St. John and Halifax, and wondering whether a direct service operated

by Trans-Canada Air Lines straight through from Moncton to Halifax or St. John, either the one or the other, would not offer certain facilities that might not be adequately performed by these private companies.

Mr. JOHNSON: That has not proven to be so. For instance, a service out of Regina into Moose Jaw and Saskatoon and Prince Albert and North Battleford is being operated by a private corporation with smaller airplanes than are necessary in transcontinental service. This is apparently satisfactory, and there is no reason why it should not be. The airplanes are perfectly modern airplanes. I am quite sure that the maritime end of the thing can be operated on the same basis. There is some question in our mind whether it is possible to operate into any of these Atlantic coast ports, with the airport facilities that are available or can be made available without terrific expenditure of money. If we can operate our present type of equipment in there, and if the traffic volume should increase to the point that we have to put on more equipment, the problem becomes more pertinent.

The CHAIRMAN: You have an interest of \$250,000 in Quebec Airways?

Mr. HUNGERFORD: Canadian Airways.

The CHAIRMAN: Canadian Airways or Quebec Airways?

Mr. HUNGERFORD: Canadian.

The CHAIRMAN: And \$250,000 in the C.P.R. also?

Mr. HUNGERFORD: So I understand.

The CHAIRMAN: What control have you over those lines?

Mr. HUNGERFORD: We have a directorship.

Mr. HANSON: I should like to ask Mr. Johnson if they have contemplated putting in a service extending any further up the Pacific coast. Take the city of Vancouver. Can they extend it to the north to Prince Rupert, for instance, or to Alaska?

Mr. JOHNSON: There have been no plans along that line, Mr. Hanson, at all. The only plan for extension west of Vancouver is to Victoria. We presently give Victoria service by sub-contract; but if the field is completed at Victoria, it is quite possible Trans-Canada will operate out into Victoria as well. The service up to Prince Rupert and that part of Canada would be better served and more regularly served through the Edmonton gateway than going up the Pacific coast. As you know, the weather conditions have a regular variation. I think it would be better to go in the other way.

Mr. HANSON: Yes; but the United States air service goes from Seattle and San Francisco right up to Alaska. It should be possible for Canadian air transport to do the same thing.

Mr. JOHNSON: I think you have misinformation there, of course, because there is no operation out of Seattle, except to Vancouver, by any United States line at the present time. Last summer they discussed the possibility of operating up there, and actually did run one trip up there; but there is no regular service. Beyond that, the rates are fixed by the government. We do not fix the rates.

Mr. HANSON: What about the mail service up to the Yukon and northern British Columbia? Is that given to the dominion air service or is it given to private companies?

Mr. JOHNSON: There is a private company that is operating north of Vancouver up into that area. I do not know how far north they go. There are services out of Edmonton to White Horse and in that district; and then they connect with the maritime lines into Fairbanks and those places there. There is no service as yet into Prince Rupert.

Mr. HANSON: I know there is not into Prince Rupert. But I was wondering if it would not be feasible for the Canadian air service to take that into con-

sideration; because if we are giving a mail contract to an American firm or a private firm, why should it not be given to Canadian airways to give that service?

Mr. JOHNSON: That is a matter of policy for the post office to decide. It does not rest with us to decide the policy as to who has the mail contracts or where the routes go.

Mr. HANSON: Could you look into that to see if it is possible?

Mr. JOHNSON: That is part of our job, to look into anything they are contemplating. Of course, if this comes up, we will do the same there.

Mr. WALSH: Is it not the policy of the Trans-Canada Air Lines to operate east and west only, and to leave it to private corporations to develop lines north and south?

Mr. JOHNSON: That has been the general policy except where the traffic is sufficient so as to allow the use of main line equipment. But, generally speaking Trans-Canada Air Lines were set up, as I understand it, as a trunk line.

Mr. KINLEY: Your big obstacle is fog on the Atlantic coast.

Mr. JOHNSON: It is a pretty big one.

Mr. KINLEY: You have not overcome it for landing?

Mr. JOHNSON: Not yet, except in an experimental way. There is some blind landing equipment, but as yet it is still in the laboratory stage and is not regularly used in regularly scheduled operation. That is our main difficulty at times in Vancouver, to get in and out of Vancouver when we get those ocean fogs.

Mr. KINLEY: The Americans have the same trouble getting in and out of Boston.

Mr. JOHNSON: Yes; that is right.

The CHAIRMAN: Are there any other questions, gentlemen? Shall the report carry?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Carried.

Mr. WALSH: I compliment Mr. Johnson, the Manager of the Trans-Canada Air Lines.

The CHAIRMAN: I was not only going to do that; I was going to say that his statement is extraordinarily clear and has saved me the trouble of going through all that file. I personally thank you very much, Mr. Johnson.

Mr. HANSON: I think that compliment should extend to the minister for appointing a man who knew something about it.

The CHAIRMAN: Hear, hear. Gentlemen, do you want to go through the report of Touche & Company, the chartered accountants? We have already examined in detail the balance sheet. It is a consolidation. Shall we say carried?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Carried. I thank you very much, gentlemen, for your kindness.

Mr. WALSH: Before we adjourn the meeting could I ask if the three questions that I filed yesterday have been answered, and the others that I filed on the first day of the meeting?

The CHAIRMAN: Some of them have already been read into the report.

Mr. WALSH: I know some of them have.

The CHAIRMAN: When the others are received, they will be included in the report in accordance with the decision of the committee.

Mr. WALSH: Then I was bold enough yesterday to ask the management of the railway, through Mr. Hungerford, when it was decided to recommence operations on the tunnel station, and I think the management suggested that they would probably have an answer to-day.

Mr. HUNGERFORD: Will you look up the record, Mr. Armstrong?

Mr. ARMSTRONG: That is December 5, 1938.

Mr. WALSH: December 5, 1938?

Mr. ARMSTRONG: That is the answer to the question.

Mr. WALSH: The reason I asked that question was that during the election in St. Henri in January, 1938, there was a promise made by two ministers of the crown that this tunnel station would be commenced.

The CHAIRMAN: Only two?

Mr. WALSH: And that level crossings would be abolished in St. Henri if the electorate voted correctly.

Mr. KINLEY: Did they?

Mr. WALSH: I am not establishing any connection whatsoever between what the management did and what the ministers promised.

Hon. Mr. HOWE: You are not suggesting any lack of good faith?

The CHAIRMAN: They did not specify any time, did they?

Mr. WALSH: Yes; before the next general election. I am sorry that the Minister of Transport was not in St. Henri to make the same promise; otherwise, the election would have gone the other way. I think that is the general run of by-elections.

The CHAIRMAN: That is a rather clever statement, then. Gentlemen, we shall meet at the call of the chair to consider the tentative report, when ready.

Mr. HOWARD: Just before we adjourn, may I say that I missed the meeting of yesterday; but possibly it is just as well for me to say what I have to say now. It will avoid my saying it in the house and avoid delay at that time.

The CHAIRMAN: Then go on with it now.

Mr. HOWARD: After looking over the reports, in spite of the possibly bad statement presented by the C.N.R., but the excellent statement presented by the Trans-Canada Air Lines, the Canadian National (West Indies) service and so forth, I cannot help saying that there has been developing during the past three years what I would call a general antagonism towards this national asset. There has been put on, to my mind, almost a deliberate campaign to try—I shall not use the word "sabotage"—to destroy the confidence of the people in this national asset. In connection with the Montreal terminal there has also been a considerable antagonism displayed in certain other parts of Canada towards that development. After the explanation that was given yesterday, I think it is worthwhile to try to anticipate any further undermining of the public confidence in this national institution. We, as representatives of the people of this country and as members of this committee, should be proud that this small country, with its small population, has such a splendid asset as we have in the Canadian National Railways, the Trans-Canada Air Lines and subsidiary companies. But you cannot get the co-operation you should have, you cannot get from the employees the loyalty that you should get in spite of the splendid work that has been done by the officials and by the employees of the Canadian National Railways, unless you prevent public opinion throughout this country from being swept around as it has been during the last three years. You must consider what the Canadian National is to Canada. I am not now speaking of our undeveloped national resources. Undoubtedly the Canadian National is Canada's best national asset. It has been handled by a board of directors and management of men who have appeared before this committee year after year, men who are exceptionally fine. Why should we allow, and continue to allow, speeches to be made throughout this country and publicity in the newspapers throughout this country detrimental to the

public interests of the Canadian citizens? If we were to have a war, this Canadian National Railway system would be an outstanding asset to the Canadian people from that standpoint. If we do not have a war, in connection with winter service—with all due respect to our truck fellows and good roads programs in the different provinces and so on—the one thing that you can depend upon is the railway system in this country. The development of this country has been due more to the Canadian National Railways and the Canadian Pacific Railway than to any other single thing in Canadian history.

My colleague Mr. Howden says: How are you going to do it? That is exactly why I wanted to make these few remarks. We have been exceedingly lax in the publicity that we have given to this national asset, the Canadian National Railways. When business is tough and times are bad, the ordinary merchant advertises more; and when things are good, he advertises less. These statements that we have just been through—the proof of the pudding is the eating—establish the fact that the publicity and the advertising, outside of the good service, more than any other single factor has helped to boost up your steamship service to Bermuda and to the West Indies. But I am more concerned with the propaganda that is being put out to destroy in the minds of the Canadian people what is the great asset that we have in the Canadian National Railways. I am going to move that this committee recommend to parliament—and I am not in the advertising business—that during this next year we ask the Canadian National Railways to spend at least \$50,000 to publicize what the Canadian National means to Canada—tell what it can do from the service standpoint and what it has done in the past—just to correct the impression that is being put over in the smoking cars and all around the country, in the clubs and so on, and which is detrimental to the best interests of the Canadian National Railways. This publicity campaign could be handled nicely. It is an absolutely non-political thing. It is just a question of stating the facts, of telling the Canadian people what the railway means to Canada, putting it up in nice form and publicizing it from the Atlantic ocean to the Pacific. I think that, with a little cooperation and with the proper kind of publicity, we can assist the directors, the officers, the employees and the management of the railway in operating this splendid institution. I should like to move that this committee recommend in their report to the house that a publicity campaign be put on during the next year in order to place before the Canadian people in the proper light the good thing we have in the Canadian National Railways.

Mr. HANSON: Mr. Chairman, I want to associate myself with the suggestions which have been made by Mr. Howard.

Mr. WALSH: Is the motion seconded?

Mr. HANSON: I am seconding it now. He has suggested that a publicity campaign should be established by the Canadian National Railways. Every member of parliament gets yellow, pink, red and white publicity against the Canadian National Railways; but nothing to offset those obstacles which the Canadian National Railways is facing has come to me, at least, as a member of parliament. For that reason, Mr. Chairman, I take great pleasure in seconding that motion. Give us something to offset this propoganda that we are getting from the Pacific coast to the Atlantic coast against the Canadian National Railways. I realize in my humble way that we have just as efficient officials in the Canadian National Railways as are to be found in any other enterprise or any other railway in Canada or anywhere else. We have the facilities for at least looking over what they are doing; and if there are any complaints, the people of Canada have a chance to look into it. As far as the private organizations and the private railways are concerned, we have no chance to look into them. Consequently, when they send out this propoganda against the Canadian National Railways, which I say is a slur against the officials of the Canadian National Railways, and is a slur against our minister and deputy minister of railways, I think—

Mr. WALSH: Will Mr. Hanson read any extracts from both papers that is a slur? Would you read one that casts a reflection on the personnel of the Canadian National Railways?

Mr. HANSON: You will have the floor after I am through.

Mr. WALSH: No, I do not want the floor. I want you to substantiate what you say.

Mr. HANSON: I have read these; and as far as I understand these pamphlets, they are absolutely opposed to the Canadian National Railway. We realize that the Canadian National Railways in some provinces of Canada is not profitable; but the extent of the dominion is such that we have to have pioneer transportation just as we had to have pioneer homesteaders and pioneer prospectors. It is necessary, I think, for the people of Canada to feel that it is up to them to even face a deficit in order to insure that the resources of Canada will be developed; and we cannot develop these resources unless we have facilities for transportation. I say that a publication describing the work that the Canadian-owned railway is doing in Canada should be started, and I take great pleasure in supporting the suggestion that Mr. Howard has made.

The CHAIRMAN: Does anyone else wish to speak on the motion?

Mr. WALSH: Mr. Chairman, I am not rising to oppose anything that has been said. I do not think there is any agitation being carried on by anyone in the Dominion of Canada to discredit the Canadian National Railways. I have not seen that yet; I have seen no proof of it. Those pamphlets to which Mr. Hanson referred have been received by myself and read casually, not carefully, and I have not seen in them anything that would cast a reflection on the officials of the Canadian National Railways or on the Canadian National itself as an operating enterprise.

Those pamphlets give us a picture of the railway situation in Canada. Very unfortunately, in giving that picture with the deficit that the Canadian National Railways have been creating from year to year, it does appear as if they might be directed against that particular railway. But I understand that those pamphlets are issued in the interests of stirring up public agitation in favour of doing something towards settling what is usually referred to as the railway problem in Canada. I think that is the direct purpose of those pamphlets, a stirring of the nest, to use a biblical expression, and not in any way to stir up antagonism towards our public-owned enterprise.

Now, I have been a severe critic of the Canadian National Railways in some respects and, in other respects, I go out of my way to pay them a compliment whenever it is possible to do so, and I have found it possible to do so on more occasions than I have found it possible to be critical. I have never been critical of the management of the Canadian National Railways. Outside of the board of directors who were appointed by the present government, and I refer to the operating officials—

The CHAIRMAN: I hope you include the chairman of the committee?

Mr. WALSH: Absolutely. But the officials of the Canadian National Railways are without superiors in railway operation not only in Canada but in any part of this continent, in my estimation, and I think the Canadian National Railways is well managed and well run, and that it is in our interests to see that that railway is kept to the maximum of its efficiency.

Mr. YOUNG: Then of what have you been critical?

Mr. WALSH: Of the deficits that have been created, and I have been one who has been anxious to do something towards solving the railway problem in Canada, if it is possible of solution, quite opposed to amalgamation, quite opposed to anything that would bring about the disappearance of either the

Canadian National or the Canadian Pacific Railway, because I believe in the future of Canada and I believe that there is a place for both these railways in Canada and that our population will grow to such an extent that both these railways will be inadequate in the future to meet the needs of this country.

I regret the deficit. Seeing a deficit this year of \$54,000,000 causes me to reflect. When the people of Canada see that statement, and when they realize that it means more than \$1,000,000 a week of Canadian money to meet the deficit of this national enterprise, not including, of course, the interest on loans, advances, and so on, from the dominion government and other features that might have been included which would enhance that deficit even more, that is what is causing the people of Canada to reflect. It is not a criticism of the officials of the C.N.R. It is not a criticism of the C.N.R. itself; but it is a criticism of that deficit.

What can we do about it? I think that is what ought to be engaging our attention, and not the suggestion we have before us for consideration at the present time. I consider that the best advertising means the Canadian National Railway could adopt would cost them little or nothing, and that is to let a man like Mr. Fairweather, or others, get out to meetings and organizations and service clubs from one end of Canada to the other and tell the Canadian National story and get it into the press. It costs nothing, and that is news which the press likes to carry. Whenever Mr. Fairweather speaks before a service club or before a Canadian club he gets a good hearing, he gets a good audience. In many cases his speech is broadcast, and sometimes the broadcast covers an extensive field. But in all cases Mr. Fairweather gets an exceptionally fine write-up in all our Canadian papers. If he is speaking down in Moncton his speech is carried almost as heavily in the Montreal and Toronto papers as it is in the papers of the maritime provinces. And that kind of advertising does not cost \$50,000 of the money of the people of Canada, and that is the best kind of advertising that the Canadian National Railways could get. I would urge that on the committee rather than the acceptance of the motion before us.

I do not think we ought to suggest that anyone in Canada is trying to undervalue the real value of the Canadian National to the Dominion of Canada and to the people of Canada; nor should anyone make even the veiled suggestion that the officials, operators and those employed on the Canadian National are inferior to the employees on any other railway or that they are not as anxious to see the success of the Canadian National Railway as those employed on other railways. I think Mr. Hungerford and those associated with him have as loyal a staff, as enthusiastically loyal a staff as they have connected with any business enterprise in Canada, and I do not think Mr. Hungerford has a word of complaint to say about the loyalty and the enthusiasm of those who are associated with him and those who are employed on even the most menial task by the Canadian National Railways. You will find that the Canadian National Railway men are strong for the Canadian National; and the authorities who are administering that railway deserve credit, although I am among those who regret seeing the deficit at \$54,000,000.

I am willing to study any plan or scheme that is put forward to help reduce that deficit. We have to consider this problem with all the other problems that are facing Canada. We have to bear in mind that here is a deficit of \$54,000,000 on railways. There is at least \$60,000,000 on wheat. There is another \$20,000,000 or \$25,000,000 on seed for the western provinces. There are bonuses given in eastern Canada; there is the unemployment relief money of \$40,000,000 or \$60,000,000 a year. We have to bear in mind that this country cannot stand that drain, and we have got to stop it in some way.

If we can find a solution to our railway problem that will help the Canadian National Railway, it might at the same time help the Canadian Pacific Railway, because, after all, we have to bear in mind that the Canadian Pacific is an integral part of this dominion and has played its share in building up

the Dominion of Canada to its present state. If we can do something or find some scheme or plan that will help both railways, we will go a long way towards helping relieve the taxpayers of this country of a burden which they are finding exceptionally heavy.

Mr. Howard has put forward his resolution, and I hope that it has accomplished its purpose. I do not see any reason for pushing it forward. I would far rather he changed his resolution to something along the lines I have suggested. There seems to be connected with the Canadian National Railways a staff of capable men like Mr. Fairweather who could present the Canadian National side of the picture as ably as I have heard Mr. Fairweather present it. I am connected with a service club in Montreal and through Mr. Hungerford I have had Mr. Fairweather in attendance at that service club. We broadcast his message, and I can tell you it was a message worth listening to. I know he got the publicity which that message deserved, and that is good advertising. I hope that that kind of advertising will not only be continued but will be greatly augmented to the benefit of the Canadian National Railways and to the dominion.

Mr. HANSON: The Canadian people are behind the Canadian railways and they realize that we have natural resources, but that in order to develop and commercialize them we have to have transportation. Consequently, I say that this fact should be more widely advertised by the Canadian National Railways.

Mr. BARBER: On page 16, Mr. Chairman, I notice a figure of \$599,680.19 for advertising. I think this is a question that should be left to the board. I am sure that parliament would not turn down any estimate if they required more for publicity or special advertising.

I support Mr. Walsh in his suggestion regarding Mr. Fairweather or others who might go through the country, and I am sure that in our part of the country they would be received very warmly and every facility given them to speak in order to acquaint us with some of the facts concerning this great system. I can assure you also that with the experience I have had in the province of British Columbia and in travelling through that province, I have found on the whole the people are behind the Canadian system to a great extent.

As far as this motion is concerned I think it is a matter for the board of directors, and, if they require more money there is no doubt in the world parliament would give it to them.

Mr. VIEN: Mr. Chairman, I think the motion has served a good purpose. It has brought to the attention of the committee and to the attention of the directors of the Canadian National Railways the value of advertising in an undertaking of this kind as in any commercial or business undertaking. But I doubt if it would be expedient even in the interests of the Canadian National Railway system to go on record as suggesting an addition sum of \$50,000. I am afraid it would defeat its own purpose. Advertising is within the managerial discretion of those in charge of the administration of the railway. If they spent out of the appropriations for publicity and advertising \$50,000 and it appeared in their annual statement next year, I do not believe that any member of the committee would find fault with that. Probably this is already being done to an extent that the managers of the railway deem useful or expedient.

I would, therefore, suggest that the motion, which has served a good purpose in bringing this to the attention of the committee and to the attention of the officials concerned, should be withdrawn.

Mr. MCKINNON: Mr. Chairman, unquestionably every person in Canada would like to see the deficit of the Canadian National Railways removed. No doubt the management have done everything possible to do away with that deficit. Mr. Walsh lauded the management very highly and stated that unquestionably they were as efficient as any operating management in Canada

or on the North American continent. If they have not been able to do it, would Mr. Walsh kindly suggest to us where we can get the men who can do away with this deficit?

Mr. WALSH: No. I do not think that is a reasonable question, Mr. Chairman.

Mr. YOUNG: Mr. Chairman, I think there is a good deal to be said about the fact that the good wares of any institution should be made known. I take it there is a good deal of real effort made to make known to the public of this country just what the Canadian National Railway has done. I think perhaps a little more might be done. I was glad to see that recently some members of the staff were talking to institutions of one kind or another here and there and laying facts before the public which I think it well that the public should know. The fact that Mr. Walsh suggests there are not people in this country trying to knock this road does not do away with the fact that people are doing that every day and doing it to the limit of their ability. If Mr. Walsh thinks that these pamphlets are being written in the interests of the Canadian National Railways, of course, that is his privilege. I think the majority of the people of this country who read them will have no doubt whatever in coming to the conclusion that these pamphlets are not written in the interests of the Canadian National Railways.

Mr. WALSH: I do not think Mr. Young has any right to put words into my mouth. I did not say they were being written in the interest of the Canadian National Railways.

Mr. YOUNG: I am putting it in reverse just to see how it sounds.

Mr. WALSH: Do not attribute it to me.

Mr. YOUNG: Mr. Chairman, his statement was that they were not being written against the interests of the Canadian National Railways. I have read those pamphlets, and I take it that they are very directly opposed to the interests of the Canadian National Railways. It may be that there are persons behind the movement who have some notions about unification, amalgamation, or something of that kind, and perhaps if they were here they would say that that is what they have in mind.

But Mr. Walsh starting from a blunder again blundered into what perhaps is the answer, although making a blunder in making that statement. He first spoke about the loss of \$60,000,000 on wheat.

Mr. WALSH: No, I did not say "loss." I said the expenditure of \$60,000,000.

Mr. YOUNG: I was not aware that there was an expenditure of \$60,000,000 on wheat. I am always learning things when I listen to Mr. Walsh.

Mr. WALSH: If you live long enough you will learn a whole lot.

Mr. YOUNG: I have to verify them so much that I find the information is not usually accurate. But that very blunder and the next statement of fact about the money we are spending on unemployment relief and all those things which he enumerated are the very things which show conclusively why not only the Canadian National but both railways are having difficulty, namely, that the business of the country has not been as good as it should be. For many years that very rich part of the country, that part of the country which has produced more wealth in the last thirty years than any other part of the country, has met with adverse weather conditions. We in western Canada have been suffering very severely, and I say that it ill becomes some of the members of this house, in our very severe difficulty, to say that we are getting back a little of the wealth which we gave to the rest of the country during that long period of time. I say it ill becomes members of this house or anyone inside or out of this house to say that kind of thing. But it does go to illustrate just why these roads are in the condition in which we find them; it just goes to

show why this whole country has suffered some of the difficulties through unemployment and other things which it has suffered. We have had too much fair weather in our part of the country; if we had a little rain we would do much better. I am of the opinion, and I think Mr. Walsh will agree with me, that it is due to the things which I have been suggesting and he has been suggesting that we have this great deficit.

I think in 1926 and 1928 the Canadian National Railways not only paid all the interest due to the private investors but also a portion of the capital loaned by the dominion government for two years. Every member in this house knows that we have had a world-wide depression, and I am bound to say this, that as a result of the report put before us we find that the decrease in revenues of the Canadian National Railways operating in Canada has been immeasurably small in comparison with the Canadian National Railways operating in the great country to the south of us, which shows that in Canada we have not been nearly so badly off as they have been across the line. A lot of our difficulty this year is due to the fact that we have lines in the United States. Now, I would not advocate for one moment that those lines be taken up or sold because we must recognize that in good times they are immense feeders to the Canadian part of the system. When we take all those things into consideration I think we should be very grateful that the situation is not worse. As Mr. Hanson has said, the Canadian National Railway has primarily to be run in the interest of the whole country. We must have these pioneer lines as a means for developing our country, and we must bear in mind the fact that they must be operated primarily at a loss at the outset; but personally I feel we can look forward now to a distant future when we will have this system on a basis that we will not be worried about details like these, we will not be worrying about deficits. These deficits will disappear and the railway will begin producing revenue, and then we will no longer need to worry about deficits. Now, with regard to publicity, there are various ways of getting it. I am very fond of public speaking, and I would be happy to do my share; but I think, and I have thought for a good long time, that the management of the road would be well advised to send out any officer on their staff who is capable of giving facts about the railway and its operation, such as I have seen in the press, as regards details given by some of the members of the management hitherto. I think it is a good thing that the work of the road and its purpose should be made better known to the public.

The CHAIRMAN: You all realize, of course, that this question is out of order; but it is perhaps better to have it here than in the House of Commons.

Mr. KINLEY: Mr. Chairman, might I say a word?

The CHAIRMAN: Certainly.

Mr. KINLEY: The Canadian National Railway management is an independent board of directors and they pride themselves on their independence and carry on their business without undue interference from any outside source. I think that a resolution of this kind might be misunderstood at the present time. If they want to advertise their business they have a right to do so, but if they think that they will get clear of the criticism to which any large business in this country is always subjected that way they are making a big mistake. In this country, as in all other countries, particularly on this side of the water, business, particularly big business, is not making profits. We can all be quite sure that the railway problem is a serious problem and that the people of the country are not afraid of talking about it. There is a lot of misconception, it is true; and there is a lot of propaganda. It may be that the people who own other railways would like us to have them too, and we must look out for that. However, I do not think that we should pass

a resolution of this kind telling the railway that they should spend a certain sum of money on advertising. I am not so enthusiastic about the mentality of the Canadian National Railway management, because I come from the coast and it seems to me that their minds sort of run inland instead of out to other countries looking after our export trade. You all know the great amount of missionary work that we did in developing a service to Australia and other points overseas, and I was very much disappointed that that end of our national enterprise was allowed to drop.

Hon. Mr. HOWE: You could hardly blame that on the Canadian National, the government owned those ships.

Mr. KINLEY: That makes it just that much worse for the government. Now, the English people very quickly picked up that part of the business. Why are not our seaways making progress? There is a real opportunity there. We have got a lot of hotels, and they are unsurpassed, and when you have something that is unsurpassed in quality, as is the case with our hotel system in this country—they are not surpassed anywhere—they become a paying proposition, with the railway running second. In the same way, the Canadian National-West Indies Steamship Service is forging ahead. They are not running second, as you have seen by the report they have submitted. You have heard a lot of people saying that we should amalgamate the railways of Canada; they do not tell you that you should amalgamate the shipping. The Canadian Pacific will not give up their shipping on the Atlantic or the Pacific coast. They regard that as an asset. And from my point of view, I represent men who can only work on the sea, and when I see, as I said before, that we have a great unemployment problem in this country, why not hire our own men? We hear a lot of talk about the youth of this country, that they are the greatest problem that we have, yet in the *Financial Post* we see a report with respect to the Canadian Pacific Railway that in all their shipping service in one part of the country they had only one Canadian. I ask you, is that seriously trying to help solve the unemployment problem of this country? Why, gentlemen, I could send a telegram to my riding and have 300 boys who are ready to go to sea and man these ships without that company having to hire any Chinese or Japanese or people of that kind. It is time for us to start in and do something. There is nothing else that these young fellows from along the rocky shores of Nova Scotia can do except go fishing or work on the sea. There was a time when the wooden vessel was the best on the sea, the best in the world; that was in the good old days of wooden ships and iron men, and when our ships were known throughout the world. We went down because we got in the way of progress. The diesel engine has brought back the wooden vessel to a large extent, and I think there is some revival of shipping evident in that part of the country. I can tell you that we will never have prosperity in Nova Scotia until we are able to again make use of the sea, until we restore a measure of the shipping which we once enjoyed. And I want to say this, the policy of the Canadian National Railway has been one of restriction, not one of development, of the trade of Canada. The only way you can hope to balance the trade of Canada is through the exchange of goods, and the only way you can promote the exchange of goods is through transportation by sea. The real solution to this problem which we are facing is through the development of trade, and by carrying the goods that we produce.

Mr. HANSON: Mr. Chairman, on a point of order: I agree with the hon. member in what he says, but he is absolutely out of order; he is talking about the sea.

The CHAIRMAN: I think everybody is out of order at the moment, but he is no more so than anybody else. As far as the motion itself is concerned, I think it is out of order because no private member has the right to ask the

government to spend any specific sums of money; that can only be proposed by a member of the government. Unless the minister wants to assume responsibility for this motion I think it is completely out of order.

Mr. KINLEY: Whether I am out of order or not—

The CHAIRMAN: I did not say that.

Mr. KINLEY: Whether I am out of order or not I am very much surprised that my colleague from Prince Rupert, who is a Viking of the sea, should say that I am out of order when I am speaking for the benefit of those who live by the sea. I just want to leave that thought with you. I just want to leave that thought with you when we are talking about unemployment in this country. We say that the government should do this and do that. Is industry in this country doing its share? Is a transportation company doing its share when they hire outsiders and allow our own Canadians to remain idle? That is a thing which I think should be brought to the attention of this committee; and I also think that the Canadian National should again get into the business of carrying our goods to foreign ports; they should follow up the missionary work we did in developing an export trade with Australia. If they do not, what will happen? Just as soon as we interfere with other interests in other parts of the world they raise their freight rate to a point where the cost of carrying interferes with our trade. I think if the missionary work had been followed up it would have resulted in substantial and profitable sums for the Canadian National Steamships. I think that service should be extended as part of the transportation system of this country; and perhaps if the railway had always kept these ships they could stand their deficits a little better now and in the future, because they would have a profit on that part of the business to offset the deficit on the railways which are running second place in respect to earnings.

Mr. HOWARD: Mr. Chairman, I should be happy to comply with your request, and with the permission of my seconder I have no objection to withdrawing my motion. However, I disagree with the view that has been taken. This committee was set up to look into these four things and make any recommendation with respect to any part of them to the House of Commons they might wish to. As I said, I am prepared to withdraw my motion, but before I do so I just want to say this, that I am just as worried as any man in Canada about the \$50,000,000 deficit of the Canadian National. I happen to be one of the biggest taxpayers, and I have been through pretty tough times myself. But I want to tell you this, boys, you have got to face facts. Look at the \$65,000,000 for pensions for soldiers; nobody finds any fault with that. Look at the \$30,000,000 for unemployment; nobody criticizes that except to say that we have men unemployed. They do not criticize the amount of money; in fact they want us to spend more even at a time when we are paying \$160,000,000 on our national debt. But I say that when a man singles out and publicizes across Canada that the deficit of the Canadian National will bankrupt Canada, it is time that the members of parliament, the elected representatives of the people, should support a move to pay for propaganda to counteract such insidious, underhanded, dirty propaganda as that which is now being published in Canada.

And now, I come back to Mr. Walsh's suggestion that what we need is publicity.

Mr. WALSH: I thought you were on my proposal.

Mr. HOWARD: He knows a little bit about the way in which the western part of the United States was built up, how they built railroads all over the great west and started a campaign for everybody to go west in the United States; and when the depression came along about 35 or 40 years ago they wiped out three billion dollars of railway securities through liquidation. This

country, on the other hand, has taken over every single piece of railway line in the country, and has backed the security holders. Over there the people who had their money in these railways in good faith lost it. Had the country there guaranteed the \$3,000,000,000, it would have cost \$150,000,000 a year just to carry the load; and we are carrying a load of about \$50,000,000 deficit this year. These are some of the things that strike me. I do not think we have the right to examine these reports and pass on them without passing on that; they should make more effective use of publicity. You know how it is. If Mr. Fairweather goes down to New York on a business trip everybody at once hears that he is neglecting his work on the Canadian National. If the president of the road goes down to Florida or to somewhere else to consult with some outstanding business man, or if any of the officials of the road go away for needed recreation they are immediately subjected to the criticism that they are neglecting their responsibility as officers of the road. These men simply must have some rest and some recreation, yet they cannot go out to the golf-links for a game without laying themselves open to criticism. But I want to tell you that they have got to let the people of this country know about the job they are doing, and they have got to know something at first hand about what is going on in this country. Now, gentlemen, I am not going to go any further. With the consent of my seconder I will withdraw my motion.

The CHAIRMAN: The only trouble with your motion was the fact that you mentioned a specific amount; otherwise it was quite in order.

Mr. HOWARD: The Canadian National railway management would naturally advertise its wares. Any business man would try to correct the insidious underhanded campaign that is being deliberately put over the people of this country. I doubt if they have the right effectively to meet that kind of thing unless this committee says they want you to do it. That is the purpose which I had in moving my motion. However, if my seconder is agreeable I will withdraw my motion.

Mr. HANSON: I am agreeable to that, but I still maintain we should have it; that the Canadian National railway should spend more money on advertising what they have done and what they are trying to do at the present time.

Mr. HOWARD: We will support them in any way at all that they think will be effective in increasing their publicity.

The CHAIRMAN: There is no objection that I can see to the committee when preparing their report indicating in the report that they are in favour of further publicity so far as the road is concerned, but I would suggest that it do not take the form of a motion.

Mr. WALSH: I am in favour of that if it is publicity, not advertising.

Mr. DEACHMAN: I want to make a remark or two in regard to Mr. Walsh's statement. We have had a good many lengthy studies of the whole railway problem, but let me assure you that we cannot solve the problem in the railway committee room. There is such a thing as a volume of national traffic, or traffic of the nation, in the Dominion of Canada. The task of the railroad is to handle that, and to handle it efficiently; but the claim is made, I think it is quite justified and I am quite willing to support it, that the Canadian National Railway is an efficient railway; but the total volume of business in the Dominion of Canada is much less than it was a few years ago. I looked up these facts before I came in, and as I recall them now during the period of depression the earnings of Canadian agriculture were \$1,600,000,000 less than they were if you take them on the basis for comparison of the year 1930. Now, when agriculture is in that condition nothing in the world will provide an abundant prosperity for the railways operating in the Dominion of Canada. So I suggest to you now that if we want to solve this problem it will not be solved in the railway committee room, it will not be solved by the study of an operating profit;

there is no solution of the railway problem in the Dominion of Canada along those lines. The railway problem will be solved when we restore the national income back to the level of 1928, or 1929, or probably 1926. But then in this Dominion of Canada, if we move out and have confidence and faith in our ability, there is a possibility of increasing that beyond the volume of 1926, 1928 and 1929. And when that is done what happens to the railway problem? It disappears, as it did in those years. Our fundamental problem is an economic one, one of increasing our national income, one of expanding our volume of business, increasing our freight. Let me give you an illustration: In 1937 our exports were approximately \$480,000,000. I sat in the House of Commons, in the gallery, listening to the speeches of the prominent leaders who said there was no possibility of developing Canadian trade. In 1935 the exports had risen to \$676,000,000. I mention that fact because my friend Mr. Walsh is not of the political faith that I am and I do not want to mention years which would seem to label that progress as the result of Liberal policy alone. But, in 1938 the exports of the Dominion of Canada were \$1,070,000,000, and if four or five hundred million more were added to that volume of exports, and that is not beyond the bounds of possibility, this whole railway deficit problem would entirely disappear. I ask you, would there then be any problem for the gentlemen who sit before us? It is a problem of carrying traffic. They can do that. Let us by our attack upon our real national problems, which are not the railways, but the problems of production and of extension of markets—let us by an attack upon those problems settle our railway problems, and then it is up to those men by efficient operations to bring down the deficit; and that will follow as naturally as sunrise follows sunset.

The CHAIRMAN: You will all agree that we have heard some very able speeches, some of the best we have ever heard in the House of Commons. I am very grateful that they are on the record.

Mr. WALSH: Before we adjourn I would like to refer again to these reports. There is one item that I discussed last year and I would like to refer to it briefly. I just wanted to mention it at the time. The Minister of Transport was good enough to refer to it last year. I refer to the problem of that island province, the cradle of confederation. I brought up before this problem of the transportation facilities of that province. When you leave the mainland at Sackville there seems to be no real supervision of that line to Charlottetown. They go along in the performance of their duty as if it did not matter whether they got there on time, or the next day, or when they left. And the facilities, as far as the ferry is concerned, are not what they should be, and it is due principally to lack of close supervision along that line. I refer to the railway ferry which runs between Borden and Tormentine.

Mr. HUNGERFORD: What is wrong with the ferry service?

Mr. WALSH: I will tell you what happened. I went down there last year and we landed at the cape, and we were held at that station for three quarters of an hour at least. I am not exaggerating. For three quarters of an hour we were held at that station. The ferry was in. What in the name of goodness they were doing I do not know. Then finally we got on the ferry, and we finally arrived at Charlottetown one hour and ten minutes later.

Hon. Mr. HOWE: Were you on your holidays?

Mr. WALSH: Last year I asked the management to see if they could not correct it this year, but they have not corrected it yet; and I am asking them, not in my interest, because after all I can take my own car down there and probably ferry at a different point where the schedule is more regular—but in the interests of the island, to see that this is corrected. They have produce to ship from there. They want tourist facilities and they have to have them. The prosperity of that island depends upon the facility with which they are able

to reach the mainland, the facility with which they are able to reach the main line; and I am urging the Canadian National Railways, not in a spirit of criticism but in a spirit of helpfulness towards the people of that island, that they give them more consideration than they are apparently receiving at the present time. There appears to me no reason why that train arriving at the cape should not be immediately placed on the ferry and the ferry immediately started for Borden. There is no reason, to my mind, why that should not be done; nor do I see any reason why the schedule should not be so arranged that when freight and automobiles have to be put on that ferry, they would be put on first, in order that the ferry may be waiting there to take that train, because that is the important feature of the trip so far as the island is concerned. In that way you will lessen the time and you will greatly improve the facilities.

Then there is another point I wish to mention. I am hoping that the Canadian National Railways may be able to make some arrangements, through the government, whereby the cost of carrying trucks and facilities of that nature from the island to the mainland and the reverse will be somewhat cheapened. They find it a little expensive at the present time. They land produce in that market, and it is increased in value due to the expense of the trip. I should like very much for them to see if it is not possible to reduce that expense.

Mr. YOUNG: On how many occasions did you find this delay, Mr. Walsh?

Mr. WALSH: Every time I have been down there. I have been down there three years now. I landed there on Thursday night, and the next night after I landed there—on Friday night—the train was two hours and five minutes late. That was the night after I arrived.

Mr. YOUNG: Was the train late on the other side?

Mr. WALSH: No, it was not late. It is delay on the ferry, either at one end or the other, or both. There is another point I should like to bring up. We have a deficit on the Canadian National Railways and it is most unfortunate. We regret it and we hope it is going to be decreased in due course—and I have no doubt it will be. I was wondering if the government could not spend some money out of that deficit in order to help reduce the deficit—spend some money in bonusing the shipment of grain and the shipment of package goods through the ports of Saint John and Halifax. Those ports are available, particularly Halifax, which is, I think, one of the finest harbours we have on the North American continent and one of the harbours that is least expensive to run. I feel that the amount of freight we put through that harbour is so negligible that it is almost forgotten. I should like to urge the possibility of bonusing freight going out of those two harbours. In that way it would increase the haulage for the Canadian National Railways to those ports, Halifax in particular; and increasing their revenue will decrease their deficit. In that way the government will about split even, and it will give those two ports a better break than they are getting at the present time. I make this suggestion in good faith, and I am hoping that they may receive more consideration from the authorities most concerned.

Mr. HUNGERFORD: I hope when you come down this summer you will have a more favourable experience, Mr. Walsh.

Mr. EMMERSON: I did not intend to say anything, but in the light of what Mr. Walsh has said, I feel that something should be said in defence of the service between Sackville and, at least, till the train gets on the boat. I do not see that service once or twice or three times a year, I see it winter and summer, spring and fall. I am on that train a good deal. I am down in that section. I admit there are times when the trains are delayed and when the boats are delayed; but as far as the service is concerned, particularly to those with automobiles, I do not know where you can go to get a cheaper trip or as quick a change from the highway to a boat and off as you will find right on

that service. It does not take more than five minutes at the outside to go from the approach to the dock into position on the boat. You simply run up on the ramp and get into position. As far as the service is concerned, in the summer time there are two regular trips by train; but if approaching there by automobile, there are four times during the day and sometimes six when you can go across there by motor car. I think as far as the trainmen are concerned, the same type of men are there as are on the main lines. There are delays at times. But I think it is rather unjust to say that the service is not good. That is all I have to say.

Mr. KINLEY: I always found it a good service. I go over there very frequently. But I cannot understand how they lose so much money.

The CHAIRMAN: They are afraid of Mr. Walsh.

Mr. HOWARD: Mr. Walsh should have gone over in the old days when they put the automobile on the car and switched the car on to the boat.

Hon. Mr. HOWE: I think I can explain why we lose money. It is because we give such a good service. We have two very fine boats there on that service. Up until two years ago one boat was operating at a time. At that time they wanted a more frequent service. We fitted up a second boat; and now at times of congestion in the summer we run both boats across, giving as many as eight trips a day to serve the automobiles as well as the trains. As far as subsidizing automobiles goes, the cost of an automobile used to be \$7 a trip; it has now been reduced to \$3. I doubt if \$7 began to pay the cost of the operation.

As far as subsidizing wheat down to Halifax and Saint John is concerned, I am glad to hear Mr. Walsh suggest that; because the extra wheat that would go down there would have to be taken away from his port of Montreal. But since he has approached it in such a generous spirit, I may say that we do subsidize it very heavily.

Mr. WALSH: We do not ship wheat in the winter time.

Hon. Mr. HOWE: Yes; but you store it and ship it the next spring.

Mr. WALSH: We take it from the head of the lakes.

Hon. Mr. HOWE: I may say that wheat to Halifax and Saint John is heavily subsidized. The rate from Georgian Bay to Halifax is one cent per hundred pounds, I think, more than the rate from Georgian Bay to Montreal. As far as the Canadian National is concerned, I am sure that every car of grain that goes to Halifax represents an actual out of pocket loss to the railway. The movement of wheat through Saint John and Halifax is largely a matter of supply and demand, and is a matter of competition between routes, existing all winter routes, chiefly from Vancouver. This year practically all the wheat that has been shipped for export after the close of navigation in Montreal, has been shipped through Vancouver, which is purely a matter of dollars and cents. It happens that the ocean rate out of Vancouver has been abnormally low. But I am sure the Canadian National Railways and the government are doing everything they can to make these maritime ports as prosperous as conditions can possibly warrant. As far as every class of freight except wheat is concerned, the record for the maritime ports has been exceptionally good during the last three years. Both Saint John and Halifax have had their biggest years, as far as the shipment of freight is concerned, during the last three calendar years.

Mr. KINLEY: Mr. Howe, in the accounting do they give this ferry credit for the rolling stock it carries back and forth? Are they allowed for that?

Hon. Mr. HOWE: Yes. We credit the railroad for the haulage of rolling stock.

Mr. KINLEY: You credit the ferry, you mean?

Hon. Mr. HOWE: Credit the ferry; and they are credited with their direct revenue from freight and passengers.

Mr. KINLEY: Including any freight that is in the car?

Hon. Mr. HOWE: Yes; it is paid for on the regular line haul on the freight and rolling stock.

Mr. KINLEY: I cannot see how they lose that much money.

The CHAIRMAN: Mr. Hungerford would like to address the committee.

Mr. HUNGERFORD: Mr. Chairman, Mr. Minister and gentlemen, it would be quite inappropriate for me to comment upon some of the matters that have been discussed here to-night. I simply rise to express on behalf of the staff—official and otherwise—of the Canadian National Railways, deep appreciation of all the kind things that have been said in respect of the staff of the Canadian National Railways. I can assure you, from a very thorough knowledge of the situation, that you have a most enthusiastic, loyal and capable staff on the Canadian National Railways—excepting myself. I have worked with these men for years. Railway work has been my life work. I think perhaps I know a little something about operation, and I would not ask for a more capable and more enthusiastic staff than you have. I think the Canadian people have been fortunate in having a staff of this calibre, and with this degree of enthusiasm. All the kind things of which you have said tonight are very, very deeply appreciated; and they will serve as an inspiration to the entire staff to try to do still better in the future.

The CHAIRMAN: Hear, hear. Gentlemen, the committee is adjourned.

Mr. HANSON: When are we adjourning to?

The CHAIRMAN: The call of the chair.

The committee adjourned at 10.10 p.m. to meet again at the call of the chair.

APPENDIX

(Information supplied at the request of Mr. Walsh)

CANADIAN NATIONAL RAILWAYS

FREIGHT AND PASSENGER SERVICE REVENUE

YEARS 1932 TO 1938

Year	Freight service revenue	Passenger service revenue	Total revenue
1932..	\$127,401,176	\$33,702,418	\$161,103,594
1933..	118,792,171	29,727,571	148,519,742
1934..	133,269,499	31,633,002	164,902,501
1935..	141,070,220	32,114,282	173,184,502
1936..	153,581,700	33,028,789	186,610,489
1937..	162,539,526	35,857,083	198,396,609
1938..	147,834,755	34,406,968	182,241,723

No figures are available which correctly reflect the segregation of operating expenses and operating ratios between freight and passenger services.

Capital Investment in Freight Train Cars and Passenger Train Cars

	Freight train cars	Passenger train cars
As at December 31, 1932..	\$245,053,259	\$69,350,467
“ 1933..	242,509,732	69,237,863
“ 1934..	229,921,969	68,804,746
“ 1935..	211,354,717	65,181,698
“ 1936..	212,445,353	65,013,733
“ 1937..	222,036,963	68,856,636
“ 1938..	224,137,084	70,991,593

CANADIAN NATIONAL STEAMSHIPS (PACIFIC COAST)

CONDENSED INCOME STATEMENT INCLUDING PROFIT AND LOSS

YEARS 1937 AND 1938

	Year 1937	Year 1938
Total revenue	\$1,317,116	\$1,355,731
Total expenses	1,507,145	1,480,691
Net revenue	\$ 190,029	\$ 124,960
Taxes	55,654	55,712
Operating deficit	\$ 245,683	\$ 180,672
Other income (net debit)	25,266	25,176
Net income deficit	\$ 270,949	\$ 205,848
Profit and loss items (debit or credit)	166,372	502,696
Net loss	\$ 437,321	\$ 708,544

NOTE.—The above results do not include depreciation and interest on investment.

The statement for the year 1936 previously furnished included, in addition to the result of operating the Pacific Coast services, lay-up expenses for vessels not in service, the *Prince David* and *Prince Henry* in cruise service on the Atlantic and the docks at Seattle, Victoria and Vancouver, the figures for 1937 and 1938 have been prepared to correspond. The result of the services actually operated on the Pacific Coast, comprising the Northern British Columbia Service, the Alaska Service, Queen Charlotte Islands Service, the *Prince Charles* and *Prince George* in Tramp Service, and the *Prince Robert*, *Prince Rupert* and *Prince George* in cruise service, was, in 1938, a loss of \$112,785 and in 1937 a loss of \$14,097.

SESSION 1939
HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS

No. 3

Tuesday, April 25, 1939

INCLUDING FINAL REPORT

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MINUTES OF PROCEEDINGS

TUESDAY, April 25, 1939.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met in camera at 4.45 p.m. Sir Eugène Fiset, the Chairman, presided.

Members present: Messrs. Bothwell, Cameron, Elliott (*Kindersley*), Emmerson, Ferland, Fiset (Sir Eugène), Hanson, Howard Howden, Lockhart, McKinnon (*Kenora-Rainy River*), Ross (*Middlesex East*), Vien, Walsh, Young.

In attendance: Mr. Smart, Deputy Minister of Transport.

Written answers were received from Canadian National Railway officials to questions asked at the last meeting by Mr. Deachman and Mr. Hanson.

Ordered,—That the said answers be printed as an appendix to this day's proceedings.

At the request of Mr. Kinley, a member of the Committee, the following changes in the printed record of evidence were authorized:

Page 108. Sixth last line. Delete "big" and substituted "railway".

Page 109. Line 28. Delete "that in all their shipping service in one part of the country" and substitute "that in one of their merchant ships as a part of the crew".

Page 109. Line 40. Delete "a large" and substitute "some".

The Chairman presented a draft report which was discussed, amended, and adopted as amended. (*see Third Report*).

The Committee unanimously endorsed Mr. Vien's suggestion that gratitude be expressed to the Chairman for the courteous and efficient manner in which he had discharged his duties.

The Committee adjourned *sine die*.

JOHN T. DUN,

Clerk of the Committee.

REPORTS TO THE HOUSE

FRIDAY, April 21, 1939.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government begs leave to present the following as a

SECOND REPORT

On April 4, 1939, the House ordered,—

“That the annual budget of the Canadian National Railways and Canadian National Steamships, tabled herewith, and the annual reports laid on the Table of the House on March 30, 1939, be referred to the Standing Committee on Railways and Shipping, together with the following votes:—

442 Maritime Freight Rates Act, Canadian National Railways Eastern Lines	\$2,000,000 00
443 Maritime Freight Rates Act, railways other than Canadian National Railways	800,000 00
454 Canadian National (West Indies) Steamships Limited, capital advance	20,000 00

from Main Estimates for the fiscal year ending March 31, 1940, as tabled on January 27, 1939; also

588 Canadian National Railway Company	\$43,750,000 00
589 Prince Edward Island Car Ferry and Terminals	327,000 00
590 Trans-Canada Air Lines	488,941 00

from the special supplementary estimates for the fiscal year ending March 31, 1940, tabled March 31, 1939.”

The reports laid on the Table of the House on March 30, 1939, referred to above, were:—

1. Annual Report of the Canadian National Railways System for the year ended December 31, 1938.
2. Annual Report of the Canadian National (West Indies) Steamships Limited for the year ended December 31, 1938.
3. Annual Report of the Directors of the Trans-Canada Air Lines for the year ended December 31, 1938.
4. Annual Report of the Canadian National Railways Securities Trust for the year ended December 31, 1938.
5. Report of the firm of George A. Touche and Company, Auditors of the Accounts of the Canadian National Railway System for the year ended December 31, 1938.

Your Committee has considered the above Budget, Reports and Estimates, and approves of them.

All of which is respectfully submitted.

EUGENE Fiset,
Chairman.

WEDNESDAY, April 26, 1939.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government begs leave to present the following as a

THIRD AND FINAL REPORT

In a report made to the House on April 21, 1939, your Committee indicated approval of the annual budget of the Canadian National Railways and Canadian National (West Indies) Steamships, and of the various reports and estimates referred for consideration.

The following conclusions have been reached after examination and discussion of the said budget, reports and estimates, and from evidence taken in respect thereto.

Canadian National Railways

The decline in business activity that commenced late in 1937 and continued throughout the greater part of 1938 is reflected in decreased revenues for 1938. Gross operating revenues amounted to \$182,241,723, being \$16,154,886 or 8.14 per cent lower than in the previous year. Income from the lines of the Company in the United States was seriously affected, showing a 23 per cent drop, as contrasted with a decrease of 5 per cent in the Company's lines in Canada. The traffic trend in 1938 is indicated by the fact that in the first nine months the decrease was \$15,737,865, whereas in the last quarter it amounted to \$417,021.

Other decreases in revenue in 1938, contrasted with the returns for 1937, were: freight 9.1 per cent; passenger 4.5 per cent; express 5.7 per cent; commercial telegraph 8.4 per cent; switching 17.6 per cent.

Operating expenses decreased \$4,613,546 or 2.55 per cent compared to 1937. This curtailment was effected despite an increase in wage costs due to the restoration of basic wages in Canada, and of wage increases in the United States, which increased 1938 expenses as compared to 1937 by \$6,082,000, and of increased prices of materials, which increased expenses by \$900,000. Apart from these features, there was a reduction in operating expenses of \$11,600,000 as compared with the previous year.

The net operating income from hotel operations was \$226,014, an increase of \$25,927 over 1937.

The cash deficit for 1938 was \$54,314,196; in 1937, it was \$42,345,868.

Maintenance expenses have been kept at a minimum; and, having regard to the volume of business to be handled, the property and equipment are in good condition.

Last year your Committee reported that the consensus of opinion was that work on the Montreal Terminal Development should receive further consideration. Construction has now been resumed, but on a substantially modified plan from what originally decided upon. A detailed statement was furnished by the National Railways giving reasons for their resumption of the work, a general outline of the present plans, and the advantages accruing from the use of the new passenger terminal. Following a wide discussion by the members, it is of the opinion of your Committee that the best interests of both the public and the National Railways will be served by construction of the new terminal, and that work should be proceeded with until the project is completed.

Evidence was taken in regard to the abandonment of branch lines operated at a loss to the railways. The ultimate decision as to whether or not public convenience and necessity can be properly looked after upon the abandonment of a railway branch line is determined not by the railways themselves but by the Board of Transport Commissioners. Thus, curtailment of the deficit

by the management of the National Railways is limited only to the operating efficiency attained. Much is heard regarding the annual deficits of railways; but consideration must be given to the benefit to the territory served by a branch line, as well as to the country as a whole.

The new hotel at Vancouver will be opened on May 25, 1939, and will be under the joint management of the two railway companies. The existing Canadian Pacific Railway hotel at Vancouver will be closed on that date.

The possibility of obtaining some financial relief from the Perpetual Securities of the Canadian National Railways in the hands of the public was again discussed and your Committee is gratified to learn that some action has already been taken by the Government, following the recommendations of last year. Your Committee again urges that the Government explore all avenues of approach to this important problem.

Your Committee discussed at some length the stress that is generally placed upon the Canadian National Railways annual deficit without due consideration being given to the real position of the National Railways in the national economy. The Committee feels that this situation is of sufficient importance to be brought to the attention of the Government, and the consensus of opinion is that steps might well be taken to provide the Public with more information as to the national importance of the service provided by this vast railway transportation system.

Canadian National (West Indies) Steamships Limited

The operating revenues of the Company indicated further improvement during the year 1938. Both freight and passenger traffic showed increased revenue. It is to be noted that after payment of bond interest, but before depreciation, there was available the sum of \$276,239 to be paid the Government in reimbursement of interest on advances as compared with an amount of \$188,537 in 1937.

Trans-Canada Air Lines

The year 1938 was a period of organization and development. Operation headquarters were located at Winnipeg and a training school was established for pilots, dispatchers and mechanics. Stewardesses were employed on the Vancouver-Seattle run from July, 1938. In anticipation of regular passenger service, a traffic department was organized with officers stationed at Montreal, Winnipeg and Vancouver. Employees of the permanent staff must meet high physical and educational standards, and an effort has been made to hold the personnel down to a minimum, flexible organization. Being part of the Canadian National System, the duties relating to publication, advertising, legal and accounting activities devolve upon the railway officials, thus effecting economy.

\$3,200,000 has been raised by the issue of capital stock. It is expected that that amount will be increased in 1939 to \$3,750,000 which, together with \$1,250,000 reserved for participation in the projected Trans-Canada service will absorb the authorized capital of \$5,000,000.

After providing for all operating costs, including depreciation and interest on invested capital, the income account shows a deficit of \$818,025, which is slightly under the amount of \$830,000 appropriated by Parliament.

A mail contract providing for a rate of sixty cents per mile was executed in December, 1938, to cover the initial period from July, 1938, to December, 1939. The revenue from this contract, together with a 50 per cent load factor, will, it is estimated, cover operation costs.

A copy of the evidence taken is tabled herewith.

All of which is respectfully submitted.

EUGENE FISET,
Chairman.

APPENDIX

Answer to Question by Mr. Deachman.

CANADIAN NATIONAL RAILWAYS (ALL-INCLUSIVE SYSTEM)

PAYROLL COST PER 1,000 TRAFFIC UNITS—1926 TO 1938 INCLUSIVE ADJUSTED TO
1926 WAGE RATES AND TRAFFIC DENSITY

Year	Payroll Charged to Oper. Expenses (Thousands)	Total Traffic Units (See Note) (Millions)	Payroll Per Thousand Traffic Units		
			Unadjusted	Adjusted to 1926 Wage Rates	Adjusted to 1926 Wage Rates and Traffic Density
1926..	\$ 139,052	24,202	\$5 75	\$5 75	\$5 75
1927..	144,825	24,474	5 92	5 60	5 62
1928..	154,046	27,664	5 57	5 26	5 49
1929..	155,149	24,199	6 41	5 89	5 85
1930..	143,348	20,553	6 97	6 39	5 94
1931..	126,951	17,207	7 38	6 88	5 96
1932..	99,693	14,876	6 70	6 74	5 38
1933..	89,631	13,545	6 62	6 92	5 24
1934..	91,987	15,119	6 08	6 48	5 19
1935..	96,815	15,819	6 12	6 22	5 06
1936..	102,534	17,308	5 92	5 97	5 09
1937..	108,301	18,025	6 01	5 90	5 12
1938..	107,870	17,180	6 28	5 81	4 90

NOTE.—“Traffic units” equals the sum of total revenue ton-miles, and passenger miles multiplied by three.

Dept. Research and Development, C.N.R.
Montreal, April 24, 1939.

QUESTION ASKED BY MR. OLAF HANSON, M.P.

	Number of Employees—Year 1938		
	Canadian Lines	U.S. Lines	Total
1. Number of executives and General Officers with rank of Gen. Supt. or higher..	71	8	79
Number of all other employees..	66,104	8,770	74,874
Total Number of Employees..	66,175	8,778	74,953
2. Number of non-scheduled employees receiving salaries of \$3,000 per annum and over..	1,062	240	1,302
Number of all other employees..	65,113	8,538	73,651
Total Number of Employees..	66,175	8,778	74,953

NOTE.—Canadian Lines figures include representatives of Canadian Lines located outside Canada and certain Executives and General Officers having jurisdiction over both Canadian and U.S. Lines.

