

Canada. Parl. Senate. Standing
Comm. on Transport and
Communications, 1960/61. Proceedings.

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CANADA: PARLIAMENT. SENATE. STANDING
COMMITTEE ON TRANSPORT + COMMUNICATIONS
1960/61.

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SENATE OF CANADA

Standing Committee on Transport and Communications
4th Session, 24th Parliament, 1960-1961

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Fourth Session—Twenty-fourth Parliament
1960-61

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill S-13, intituled:

An Act respecting Canadian Pacific Railway Company.

The Honourable H. de M. Molson,
Acting Chairman.

WEDNESDAY, FEBRUARY 22, 1961.

WITNESSES:

Mr. Gregory J. Gorman, counsel for the Canadian Pacific Railway Company; Mr. C. A. Colpitts, Chief Engineer, Canadian Pacific Railway Company.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

*Aseltine	Gladstone	Molson
Baird	Gouin	Monette
Beaubien (<i>Provencher</i>)	Grant	Paterson
Bishop	Haig	Pearson
Blois	Hardy	Power
Bouffard	Hayden	Quinn
Bradley	Horner	Raymond
Brunt	Hugessen	Reid
Buchanan	Isnor	Robertson
Campbell	Jodoin	Roebuck
Connolly (<i>Halifax North</i>)	Kinley	Smith (<i>Kamloops</i>)
Connolly (<i>Ottawa West</i>)	Lambert	Smith (<i>Queens-</i> <i>Shelburne</i>)
Courtemanche	Lefrançois	Stambaugh
Dessureault	*Macdonald	Veniot
Emerson	McGrand	Vien
Euler	McKeen	Woodrow—50.
Farris	McLean	
Gershaw	Méthot	

50 members

(Quorum 9)

**Ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate for Thursday, February 16, 1961.

"Pursuant to the Order of the Day, the Honourable Senator Stambaugh moved, seconded by the Honourable Senator Dessureault, that the Bill S-13, intituled: "An Act respecting Canadian Pacific Railway Company", be read the second time.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Stambaugh moved, seconded by the Honourable Senator Dessureault, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 22, 1961.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 11.00 a.m.

Present: The Honourable Senators Baird, Blois, Connolly (*Halifax North*), Dessureault, Gladstone, Gouin, Isnor, Kinley, Molson, Smith (*Kamloops*), Stambaugh, Woodrow—12.

In the absence of the Chairman, the Honourable Senator Molson was elected Acting Chairman.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

Bill S-13, An Act respecting Canadian Pacific Railway Company, was read and examined.

Heard in explanation of the Bill were Mr. Gregory J. Gorman, counsel for the Canadian Pacific Railway Company and Mr. C. A. Colpitts, Chief Engineer of the Canadian Pacific Railway Company. On motion of the Honourable Senator Stambaugh, seconded by the Honourable Senator Blois it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the proceedings on the said Bill. On motion of the Honourable Senator Kinley it was Resolved to report the said Bill without any amendment.

At 11.30 a.m. the Committee adjourned to the call of the Chairman.

Attest.

Gerard Lemire,
Clerk of the Committee.

WEDNESDAY, February 22, 1961.

The Standing Committee on Transport and Communications to whom was referred the Bill (S-13), intituled: "An Act respecting Canadian Pacific Railway Company", have in obedience to the order of reference of February 16, 1961, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

H. de M. MOLSON,
Acting Chairman.

THE SENATE

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, Wednesday, February 22, 1961.

The Standing Committee on Transport and Communications, to which was referred Bill S-13, an act respecting Canadian Pacific Railway Company, met this day at 11 a.m.

Senator HARTLAND DE M. MOLSON (*Acting Chairman*) in the Chair.

On a motion duly moved and seconded it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The ACTING CHAIRMAN: We have a report from the Law Clerk and Parliamentary Counsel of the Senate, E. Russell Hopkins, as follows:

In my opinion this bill is in proper legal form and I have no suggestions to make for its amendment.

There is also a memorandum from Mr. Jacques Fortier to the effect that the Minister of Transport has no objection to the passage of this bill.

Honourable senators, we have with us today Mr. Gregory Gorman, Counsel for the Canadian Pacific Railway Company, and Mr. C. A. Colpitts, Chief Engineer of the same company. Whom do you wish to hear from first?

Senator STAMBAUGH: I think we should hear Mr. Gorman first.

Mr. GREGORY J. GORMAN, Counsel, Canadian Pacific Railway Company: Mr. Chairman and honourable senators, this bill is to enable the Canadian Pacific Railway Company to construct a line of railway near Rimbey, Alberta, which is a point on the Hoadley subdivision which runs between Lacombe and Leduc. The main purpose of the line, which would be eight and a quarter miles in length, is to connect the subdivision branch line at Rimbey to a gas-processing plant which has been constructed by the British American Oil Company Limited and is now partly in operation.

Senator Stambaugh, when he sponsored the bill and moved second reading on February 16 in the Senate, gave a very full and careful explanation of the purposes of the bill, the use to which the plant will be put, and the history of railways in that area. I do not know whether it is the pleasure of honourable senators to have me go over that in detail.

Senator ISNOR: I do not think it is necessary to do so. Senator Stambaugh gave us a very full background.

Mr. GORMAN: Mr. Colpitts, Chief Engineer for the C.P.R., has detailed knowledge of the proposed line and is willing to answer any questions that may be asked.

Mr. C. A. COLPITTS, Chief Engineer, Canadian Pacific Railway: Mr. Chairman and honourable senators, I might just give a slight description of the territory

which this line will pass through between our Hoadley subdivision and the British American Oil Company plant at a point now referred to as Home-Glen.

The first two miles is through low-lying country with a clay loam soil having heavy crops of hay and grain crops and patches of thick scrub brush. The next three miles is generally rolling, hilly country containing some cultivated areas, some heavy grass and some heavy bush areas. The soil is generally sandy, containing some clay and loam. The next two and a half miles crosses very low-lying muskeg country with heavy areas of grass and scrub brush. This section is in the valley of the north branch of the meandering Blindman River. The last three-quarters of a mile rises quickly out of the valley over gravel and sandy soil up to the plant area. The country through which the line will pass is generally grazing land with some light agriculture. There are no great technical problems arising in connection with this line. There are no bridges and we do not anticipate any trouble whatsoever in constructing the line.

Senator BAIRD: You say it is to be eight miles long?

Mr. COLPITTS: Yes, 8.4 miles.

Senator STAMBAUGH: Does it cross the Blindman River?

Mr. COLPITTS: No, we have no bridges. It does not cross the river at all.

Senator CONNOLLY (*Halifax North*): Is there an existing rail line there?

Mr. COLPITTS: No, senator, there is nothing there now.

Senator ISNOR: In view of the fact other railway bills will be before us, what is the estimated cost per mile of this line?

Mr. COLPITTS: About \$83,000.

Senator ISNOR: You are constructing this line to serve a certain purpose.

Mr. COLPITTS: That is right sir.

Senator ISNOR: What is that purpose?

Mr. COLPITTS: To serve the British American Oil Company plant.

Senator ISNOR: At their request?

Mr. COLPITTS: At their request.

Senator ISNOR: What do you estimate the revenue will be that will be derived from this by the railway?

Mr. COLPITTS: That is a matter under discussion but it will be on the basis of a traffic guarantee.

Senator ISNOR: Has that guarantee been made? That is what I would like to find out.

Mr. COLPITTS: I believe it has but I cannot state definitely. I believe it has recently been made. I have figures to indicate the guarantee that was proposed, but whether that guarantee has been signed I cannot say.

Senator ISNOR: Would you care to give us the proposed terms of the agreement?

Mr. COLPITTS: Yes, it is proposed that during the first five-year period the revenue from the plant to the Railway will be guaranteed at \$2,500,000.

Senator ISNOR: That is a total of \$2,500,000?

Mr. COLPITTS: Yes, gross revenue.

Senator ISNOR: For five years?

Mr. COLPITTS: The first five years. The revenue for each additional 12-month period is estimated to be \$750,000.

The ACTING CHAIRMAN: That is \$750,000 per annum?

Mr. COLPITTS: Yes.

The ACTING CHAIRMAN: After the first five years?

Mr. COLPITTS: Yes, and the guarantee will cease when the revenue reaches \$13,500,000.

Senator ISNOR: What is the estimated expenditure?

Mr. COLPITTS: \$690,000.

Senator WOODROW: Suppose the guarantee was not completed, will you propose to go ahead with the railway?

Mr. COLPITTS: I doubt it very much sir.

Senator KINLEY: I suppose there is no conflict with any other interests?

Mr. COLPITTS: No, sir.

Senator KINLEY: Does your estimate include rolling stock?

Mr. COLPITTS: No.

Senator KINLEY: Only the rail line?

Mr. COLPITTS: Only the rail line, sir.

Senator GOUIN: What kind of freight do you expect?

Mr. COLPITTS: It would be sulphur, propane, butane, and possibly some other shipments developed from the oil company.

Senator BAIRD: Would it be a common carrier?

Mr. COLPITTS: Yes, it would be.

Senator STAMBAUGH: There are no sidings on the line between Rimbey and the British American plant, are there?

Mr. COLPITTS: No, sir, just the sidings at the plant.

Senator ISNOR: One further question: The main purpose is to serve the B.A.?

Mr. COLPITTS: That is right, sir.

The CHAIRMAN: Shall I report the bill?

—Bill reported.

Whereupon the committee adjourned.



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill C-69, intituled:

An Act respecting the Construction of a line of railway in the Province of Quebec by Canadian National Railway Company from a point at or near mile 72 of the Kiask Falls Subdivision in a northwesterly direction to a point in the vicinity of Mattagami Lake.

The Honourable Leon Methot,
Acting Chairman.



WEDNESDAY, MARCH 1, 1961.

WITNESSES:

The Hon. Leon Balcer, Minister of Transport.

Mr. K. M. Ralston, Mining Engineer and Commissioner of Development, Canadian National Railway Company; and Mr. Pierre Taschereau, Q.C., Counsel, Canadian National Railway Company.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

*Aseltine	Gladstone	Molson
Baird	Gouin	Monette
Beaubien (<i>Provencher</i>)	Grant	Paterson
Bishop	Haig	Pearson
Blois	Hardy	Power
Bouffard	Hayden	Quinn
Bradley	Horner	Raymond
Brunt	Hugessen	Reid
Buchanan	Isnor	Robertson
Campbell	Jodoin	Roebuck
Connolly (<i>Ottawa West</i>)	Kinley	Smith (<i>Kamloops</i>)
Connolly (<i>Halifax North</i>)	Lambert	Smith (<i>Queens-</i> <i>Shelburne</i>)
Courtemanche	Lefrançois	Stambaugh
Dessureault	*Macdonald	Veniot
Emerson	McGrand	Vien
Euler	McKeen	Woodrow—50.
Farris	McLean	
Gershaw	Méthot	

50 members
(Quorum 9)

* *Ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate, Wednesday, March 1, 1961.

“Pursuant to the Order of the Day, the Senate resumed the adjourned debate on the motion of the Honourable Senator Courtemanche, P.C., seconded by the Honourable Senator Brooks, P.C., for second reading of the Bill C-69, intituled: “An Act respecting the Construction of a line of railway in the Province of Quebec by Canadian National Railway Company from a point at or near mile 72 of the Kiask Falls Subdivision in a northwesterly direction to a point in the vicinity of Mattagami Lake”.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Courtemanche, P.C., moved, seconded by the Honourable Senator Méthot, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative.”

J. F. MacNeill,
Clerk of the Senate.

REPORT OF THE COMMITTEE

WEDNESDAY, March 1, 1961.

The Standing Committee on Transport and Communications to whom was referred the Bill C-69, intituled:—"An Act respecting the Construction of a line of railway in the Province of Quebec by Canadian National Railway Company from a point at or near mile 72 of the Kiask Falls Subdivision in a northwesterly direction to a point in the vicinity of Mattagami Lake", have in obedience to the order of reference of March 1, 1961, examined the said Bill, and now report the same without any amendment.

All which is respectfully submitted.

LÉON MÉTHOT,
Acting Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, March 1, 1961.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 5:00 p.m.

Present: The Honourable Senators: Aseltine, Blois, Brunt, Buchanan, Connolly (*Ottawa West*), Courtemanche, Emerson, Hayden, Horner, Isnor, Jodoin, Lambert, Lefrançois, Macdonald, Méthot, Pearson, Power, Smith (*Queens-Shelburne*), Smith (*Kamloops*), Stambaugh and Woodrow.

In the absence of the Chairman, the Honourable Senator Méthot was elected Acting Chairman.

In attendance: Mr. E. Russel Hopkins, Law Clerk and Parliamentary Counsel, and the official Reporters of the Senate.

Bill C-69, An Act respecting the Construction of a line of railway in the Province of Quebec by Canadian National Railway Company from a point at or near mile 72 of the Kiask Falls Subdivision in a northwesterly direction to a point in the vicinity of Mattagami Lake, was read and considered.

On Motion of the Honourable Senator Isnor, seconded by the Honourable Senator Smith (*Queens-Shelburne*), it was RESOLVED to report recommending that authority be granted for the printing of 800 copies in English and 500 copies in French of the Committee's proceedings on the said Bill.

The following witnesses were heard in explanation of the Bill:

The Hon. Léon Balcer, Minister of Transport; Messrs. K. M. Ralston, Mining Engineer and Commissioner of Development, Canadian National Railway Company; and Pierre Taschereau, Q.C., Counsel, Canadian National Railway Company.

It was RESOLVED to report the Bill without any amendment. At 6:30 p.m. the Committee adjourned to the call of the Chairman.

ATTEST.

James D. MacDonald,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, Wednesday, March 1, 1961.

The Standing Committee on Transport and Communications, to which was referred Bill C-69 respecting the construction of a line of railway in the Province of Quebec by Canadian National Railway Company from a point at or near Mile 72 of the Kiask Falls subdivision in a northwesterly direction to a point in the vicinity of Mattagami Lake, met this day at 5.15 p.m.

Senator LEON METHOT (*Acting Chairman*) in the Chair.

On a motion duly moved and seconded it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded it was agreed that 800 copies in English and 500 copies in French of the committee's proceedings on the bill be printed.

The Acting CHAIRMAN: Honourable senators, we have with us Mr. K. M. Ralston, Mining Engineer and Commissioner of Development, Canadian National Railway Company, and Mr. Pierre Taschereau, Q.C., Counsel for the Canadian National Railway Company.

Mr. Ralston, would you give us a general explanation of the bill?

Mr. K. M. RALSTON, *Mining Engineer and Commissioner of Development, Canadian National Railway Company*: Mr. Chairman and honourable senators, Mr. Taschereau and myself are glad to place ourselves at your disposal in answering any questions which may be addressed to us and which are relevant to the branch-line under consideration.

The proposal, as you doubtless know, is to construct and operate a branch railway from about Mile 72 on the Barraute-Chibougamau line northwesterly to the Lake Mattagami area in the Abitibi district of northwestern Quebec. The line is shown here on this map. This is Mile 72.

Senator HAYDEN: What is there available in that area in the way of mining?

Mr. RALSTON: I am just coming to that, Senator. The surveyed length of the line is about 60 miles, and the estimated cost of construction, including an allowance of 15 per cent for contingencies, is \$9,660,000.

The purpose of the proposed railway is to furnish rail service from Mattagami Lake Mines specifically, and for a new mining area in general—that is to say, for this whole area here—and also for possible pulpwood operations.

Senator ASELTINE: Are there any agricultural lands there?

Mr. RALSTON: Yes, sir.

Senator ASELTINE: I understand that there is quite an area which can be cultivated and farmed?

Mr. RALSTON: I believe that is so, sir.

Senator HAYDEN: Have we any reports on the soil?

Mr. RALSTON: We are told that the soil is favourable for agriculture. It is right in the middle of the clay belt. It has to be cleared, of course, but we are told that after it is cleared, and also drained, that the agricultural possibilities are very good.

Senator STAMBAUGH: What kind of timber is on it now?

Mr. RALSTON: Mostly spruce.

Senator STAMBAUGH: Are the trees large enough for lumber?

Mr. RALSTON: Yes, saw-logs and also pulpwood.

Senator ASELTINE: Is it fully wooded?

Mr. RALSTON: Along the line here, in parts, it is very heavily wooded. In the area along the line between Mile 72 on the Barraute-Chibougamau line and the end of the proposed branch railway there are in parts certain thick stands of pulpwood. The average is about 13 cords per acre. In the area around Lake Mattagami itself the average is just about double that, or 26 cords per acre.

Senator ASELTINE: How far does that forest extend north, east and west of there?

Mr. RALSTON: The area I am referring to contains about 21 million cords of merchantable timber, and that area is roughly from the east side of Mattagami Lake over to Lake Grasset, and south to an east-westerly line from Mile 72.

Senator EMERSON: Who owns that area?

Mr. RALSTON: At the present it is Crown land. It is owned by the province.

Senator POWER: Is it licensed at the present time?

Mr. RALSTON: I do not think licences have been granted at the present time.

Senator CONNOLLY (*Ottawa West*): Are there owners of limits up there?

Mr. RALSTON: Our understanding is that limits are at present under negotiation. We do not know of anyone who has actual limits up there.

Senator ASELTINE: The rivers flow northward, do they not?

Mr. RALSTON: Yes.

Senator ASELTINE: And the pulpwood will come down over this line?

Mr. RALSTON: Yes.

Senator EMERSON: What is the nearest mill to that area?

Mr. RALSTON: I suppose it would be the Lac St. Jean area, which is a distance of 394 miles.

Senator POWER: It is 394 miles to where?

Mr. RALSTON: The Arvida-Chicoutimi area—about 400 miles from the end of the proposed line.

Senator POWER: Is there any proposal or suggestion that a paper mill be built in that locality along the line of that road?

Mr. RALSTON: I do not know about a paper mill, but there is great interest among the paper companies in exploiting that area.

Senator POWER: But you do not know who has the licence for it as yet?

Mr. RALSTON: No, I do not think anybody has a licence.

Senator POWER: Licences have not been put up for auction by the Government of the province, as far as you know?

Mr. RALSTON: As far as we know it is under negotiation at the present time. That is all we know.

Senator ISNOR: Mr. Ralston, would you please tell us your duties?

Mr. RALSTON: I am a mining engineer for the C.N.R.

Senator ISNOR: Who is Mr. Purves, who should have been here?

Mr. RALSTON: He is the Chief of Development.

Senator ISNOR: Well, this is a development, is it not?

Mr. RALSTON: It is a development, but it is a mining matter particularly.

Senator ISNOR: It is nice to see the Minister here, but I was wondering why Mr. Purves is not here.

Mr. RALSTON: The main purpose, although not the whole purpose, of the line is actually for mining development. There are ancillary things, of course, which we hope will come along.

Senator CONNOLLY (*Ottawa West*): Are there some working mines there now?

Mr. RALSTON: Not working, but they are preparing to operate.

Senator HORNER: The buildings are there on the site?

Mr. RALSTON: Very roughly, the situation is that Mattagami Lake Mines has established the presence of something over two million tons of ore which averages about 12½ per cent zinc, three-quarters of one per cent copper, and about \$1.75 in gold and silver per ton.

Senator POWER: Did you say iron also?

Mr. RALSTON: No, about \$1.75 in gold and silver, a small amount.

Senator ASELTINE: And copper?

Mr. RALSTON: Yes, and 12½ per cent zinc.

Senator CONNOLLY (*Ottawa West*): Would you give us the names of the companies which have these properties?

Mr. RALSTON: Yes. Mattagami Lake Mines Limited is the main one. That is the one with the large ore body. Immediately adjoining south is another property called Orchan Mines Limited, which has a fair-sized body at the present time and which I think will develop additional ore reserves as more work is done. Then, about seven miles to the northwest, there is a property called New Hosco Mines.

Senator POWER: Is there any guarantee on the part of these mining companies that a certain tonnage will go to this railroad when it is built?

Mr. RALSTON: Yes, we have a guarantee by Mattagami Lake Mines Limited of certain tonnage, actually 140,000 tons a year for 10 years, of zinc concentrate.

Senator ISNOR: What will that amount to, roughly speaking, in dollars and cents?

Mr. RALSTON: In zinc concentrate and copper concentrate it will amount to roughly \$1,600,000 in gross revenue.

Senator CONNOLLY (*Ottawa West*): Per year?

Mr. RALSTON: Yes.

The Acting CHAIRMAN: And you have a ten-year guarantee?

Mr. RALSTON: Yes, we have a guarantee which lasts for ten years whereby Mattagami Lake Mines Limited will ship 140,000 tons a year over that period. Actually they are planning to ship 165,000 tons per year.

Senator ISNOR: You have an agreement?

Mr. RALSTON: Yes, signed and sealed.

Senator SMITH (*Queens-Shelburne*): Bonded? Is there some kind of a deposit which assures the railway of fulfilment of the contract?

Mr. RALSTON: No. Our chief safeguard is our belief in the integrity of the company and in the value of the ore body.

Senator HAYDEN: You have the covenant of the company. If they do not pay and the zinc is worth anything, you could go into the business yourself.

Mr. RALSTON: I don't know that we would do that.

Senator HORNER: It looks as though this will be one railroad that will pay from the start to operate.

Mr. RALSTON: Our estimates indicate that it will be very profitable.

Senator HORNER: If every line had the same guarantee the railroads would not be in the fix they are today.

Senator CONNOLLY (*Ottawa West*): Your guarantee over the ten-year period commences from the completion of the road, I take it?

Mr. RALSTON: It starts six months after the date that the railway is authorized for operation by the Board of Transport Commissioners?

Senator CONNOLLY (*Ottawa West*): There is no guarantee for any business other than from these mining companies?

Mr. RALSTON: No.

Senator CONNOLLY (*Ottawa West*): But you expect additional moneys as a result of the development of the forest reserves there?

Mr. RALSTON: Indeed, but our economics were based only on the operation of the Mattagami Lake Mines and on the business arising from the townsite which will have a population of 3,000 to 5,000 people.

Senator EMERSON: Is Mattagami Lake Mines a subsidiary of any large company like Noranda Mines?

Mr. RALSTON: Mattagami Lake Mines is controlled by three very large companies: Noranda Mines Limited, McIntyre Porcupine Mines Limited, and Canadian Exploration Limited, which is a wholly-owned subsidiary of Placer Development Limited. When they have exercised all their options they will own 4 million shares out of a capitalization of 6 million shares.

Senator EMERSON: These big companies do not guarantee the operations here?

Mr. RALSTON: No. These companies are in the position of being very large shareholders.

Senator SMITH (*Queens-Shelburne*): Mr. Ralston, is this 12 per cent zinc—

Mr. RALSTON: 12½ per cent.

Senator SMITH (*Queens-Shelburne*): Is that considered to be an extraordinarily high content in ore that is placed so far from transportation as this is?

Mr. RALSTON: It is considered to be an exceedingly good grade, yes. 12½ per cent zinc is about the highest zinc ore body we have in Canada, or among the highest. Most deposits run about 4, 5, or 6 per cent.

Senator SMITH (*Queens-Shelburne*): Do you have some knowledge of the percentage of zinc content present in the ore in the northern New Brunswick area to which a railway was built just a few years ago?

Mr. RALSTON: Yes, that was much lower.

Senator SMITH (*Queens-Shelburne*): Have you a figure in your head as to what that was?

Mr. RALSTON: I did have but I have forgotten. It seems to me that it was something like 4 to 5 per cent. The company got into production at an unfortunate time when the prices of base metals were near peaks. They had a very difficult ore to treat and their grade, of course, is not anywhere near as good as Mattagami.

Senator HAYDEN: Are there many metallurgical problems here?

Mr. RALSTON: None whatever. The metallurgical test work has shown that the ore is clean and easy to treat.

Senator HAYDEN: Where is the market?

Mr. RALSTON: They will ship to the markets of the world—the United States, Europe, and, of course, Canada.

Senator HAYDEN: Do they have contracts that you know of?

Mr. RALSTON: No, but they have made a very thorough market survey.

Senator POWER: Where is the nearest seaport they would reach, Chicoutimi?

Mr. RALSTON: I suppose Chicoutimi would be. It is about 400 miles to Chicoutimi and about 630 miles to Montreal.

Senator POWER: You might have mentioned Quebec City just by way of mentioning it.

Mr. RALSTON: I have not got a figure for Quebec City.

Senator POWER: I didn't think the C.N.R. would have for Quebec. That is what I draw your attention to.

Mr. RALSTON: It would be shorter to Quebec City than to Montreal, of course.

Senator HAYDEN: Where is the smelter to be located?

Mr. RALSTON: We do not know that precisely, sir. It will be somewhere in the province of Quebec on deep water. The facts of the situation are that you have to be close or fairly close to a source of power, for this operation requires very large blocks of power. You have to be on or near deep water in order to get to the markets of the world, and you have to be in or near a large acid-consuming area.

Senator HAYDEN: When the concentrate is moved from Mattagami Lake where will this line deliver it to? This is 72 miles long, is it not?

Mr. RALSTON: It is about 60 miles long. It takes off at Mile 72, north of Barraute. If the refinery is in the St. Lawrence Valley, we will take the concentrate down there.

Senator LAMBERT: Was there not some suggestion of a smelter going into Chibougamau some years ago?

Mr. RALSTON: Yes, there was, sir. That was a copper smelter though, not a zinc refinery. About 18 months ago there was some suggestion, but as I say, that was a copper smelter.

Senator PEARSON: Was that the best location the railway could get in the topography of the country?

Mr. RALSTON: The line was located with reference to two things—the topography of the country and the geology of the country.

Senator PEARSON: I was wondering if it would be better to deal with it straight south?

Mr. RALSTON: Well, this is 60 miles, which I am pointing at, and this road here is 118 miles.

Senator PEARSON: I was wondering if you could go through a better area for the development of business along the line?

Mr. RALSTON: We think it is better here for mining and also pulpwood.

Senator ISNOR: What effect is this development going to have on other operations throughout the country?

Mr. RALSTON: Well, that is a very big question, sir.

Senator ISNOR: It is a very important question. You have a development there, and to explore the possibilities I thought naturally you would take into account its effect on other operations.

Mr. RALSTON: There is no shortage of zinc in the world, and the people who will make money, or even survive, are those who can produce zinc at the cheapest possible price, and also people with high grade ores. This prospect covers both specifications. As to what effect it will have on other producers, I think the others will be able to sell their zinc too; in fact many of them are contemplating joining, at least, participating, in the refinery, so that in the end you will have a situation where some of the production from Mattagami Lake mines, and other mines, is refined at the new refinery, and some of the production that will remain as zinc concentrate will be sold to the States and to Europe, because they actually want the concentrate. They have their plants, and their plants are paid for and they require concentrate as feed.

Senator HAYDEN: Is that \$1,600,000 the gross revenue that would be received from the concentrates?

Mr. RALSTON: Yes.

Senator HAYDEN: What is the revenue that is expected to be received?

Mr. RALSTON: Our estimates of the total revenue amount to \$2,300,000.

Senator HAYDEN: I am still not clear what that \$1,600,000 represents.

Mr. RALSTON: That is from concentrates only.

Senator HAYDEN: The freight revenue you will be receiving each year?

Mr. RALSTON: Yes.

Senator HAYDEN: That comes to \$8 or \$10 a ton, does it not?

Mr. RALSTON: The \$1,600,000 has reference to 165,000 tons per year of zinc concentrate, and 25,000 tons per year of copper concentrate.

Senator HAYDEN: That is all your cost to move over the length of railway that you have, or that you are going to build. That is what I am getting at.

Mr. RALSTON: That is the revenue for moving the concentrates from the end of the proposed line here and over our other lines.

Senator HAYDEN: If you have to move another 400 miles, what would likely be the per ton charge to move the concentrate that distance?

Mr. RALSTON: Well, we have a freight rate here, for example, for about 400 miles. The freight rate is \$8.90 per short ton of zinc concentrate.

Senator HAYDEN: That is for the extra business?

Mr. RALSTON: No, that is from here, at Mattagami.

Senator HAYDEN: You mean that is from there to St. Jean?

Mr. RALSTON: Well, anywhere you like to go—400 miles. On the copper concentrate for a distance of 230 miles, that is, to the Noranda smelter, the freight rate is \$7.37 per ton, and those two figures and tonnages give the figure of \$1,600,000 I have spoken of.

Senator HORNER: Noranda smelter could not take care of all the ore—just the copper?

Mr. RALSTON: Just the copper concentrate. It is a copper smelter, not a zinc refinery.

Senator ISNOR: I suppose you have considered the market as a whole, plus the supplies, if conditions are righted in Africa as to competition which will then exist; and I presume you also took Russia into the picture with regard to its reserves?

Mr. RALSTON: Well, I am afraid we didn't consider Russia.

Senator ISNOR: Why not? They have very extensive fields.

Mr. RALSTON: Yes, but we don't know very much about them and cannot rely on the information, I think. Actually, out of a world production of 3.14 million tons in 1959, Russia and the other Communist countries had a production of about 500,000 tons.

Senator ISNOR: But that was due to the cost of their production at that time. You will admit, however, that their reserves are almost unlimited?

Mr. RALSTON: Oh, I wouldn't say unlimited, sir.

Senator ISNOR: Well, I understand their reserves are very, very large.

Mr. RALSTON: Actually, we have more reserves in the western world than we know of in Russia.

Senator ISNOR: That is not the information I have, but it does not matter.

Mr. RALSTON: In 1960, for example, Russia, according to the reported figures I have, produced about 650,000 tons, and the rest of the world produced about three million tons.

Senator ISNOR: Yes, but I will just repeat what I said, that that is due, I think, to their cost of production at the present time. I understand their equipment, and so on, is not up to that of the western world.

Mr. RALSTON: The reports I have of Russian equipment, sir, is that it is exceedingly good.

Senator HAYDEN: Would you convert the 140,000 tons of concentrate into zinc as a marketable product, or do they pay for it in the concentrate stage? From the point of the company, will they be marketing it as concentrate?

Mr. RALSTON: They will be marketing their production probably partly as concentrate and partly as refined metal.

Senator HAYDEN: Well, to the extent that they get refined metal, what will be the percentage to 140,000 tons of concentrate?

Mr. RALSTON: I don't know, and I do not think they know either, because the refinery is still in what you might call a state of flux. It has not been settled yet what proportion of interest Mattagami Lake Mines will have in the refinery.

Senator HAYDEN: They will have to get a reasonably high rate of recovery, or it would not be worth while.

Mr. RALSTON: What they do not refine they will sell as concentrate in the markets of the world, just as our Quebec mines have been doing for many years.

Senator HAYDEN: First of all, how much refined metal might they expect to get from each ton?

Mr. RALSTON: 140,000 tons is the guarantee, but they are actually preparing to produce 165,000 tons a year of concentrate. Of that production the metal content will be something in the order of 75,000 to 80,000 tons per year, or roughly about half, sir.

Senator ISNOR: Mr. Ralston, how did you arrive at your construction costs?

Mr. RALSTON: The engineering department made a very detailed survey and from the detailed survey they estimated detailed costs, and so they arrived at the figure of \$8.4 million, or about \$140,000 per mile.

Senator ISNOR: I made a statement today in the house that in comparison with the cost per mile of a C.P.R. branch line recently authorized that their estimate was \$80,000 per mile.

Mr. RALSTON: You mean the line from Rimbey? The estimated cost was how much?

Senator ISNOR: \$80,000 a mile.

Mr. RALSTON: But that line is being built in flat prairie country.

Senator ISNOR: That would be the answer I suppose.

Mr. RALSTON: The line we are concerned with here of course, as you know, is to be built over rough country.

Senator ISNOR: Breaking down that unit price of \$140,000 per mile what proportion of that will be let out through contract and what proportion will be done by your own forces?

Mr. RALSTON: The amount of work as represented by dollars is estimated at \$3,850,000 by contract, and the railway's proportion is estimated at \$4,550,000, making a total of \$8.4 million.

Senator POWER: Do I understand that \$3.4 million would be given out to contractors?

Mr. RALSTON: Actually \$3,850,000.

Senator POWER: That amount will be given out to contract?

Mr. RALSTON: Yes, that is the estimate.

Senator POWER: And the other \$4 million odd will be handled by the railway forces?

Mr. RALSTON: That is the estimated railway expenditure for the railway forces on their own work.

Senator POWER: That will not be given to contractors?

Mr. RALSTON: That is right.

Senator POWER: Is that a particular type of work that you are giving out to contract? Will it be clearing, or just exactly what is it? Have you got that figure divided up into different types of work, or lengths of line, so to speak?

Mr. RALSTON: Well, actually the contract is for clearing and grubbing.

Senator POWER: The work of clearing is to be done by contract?

Mr. RALSTON: Yes

Senator POWER: What about the laying of rails?

Mr. RALSTON: The contract is for clearing, grubbing and grading, and the construction of culverts, trestles, and substructures for bridges.

Senator POWER: All that is to be done by contract?

Mr. RALSTON: Yes

Senator POWER: And the remainder of the work?

Mr. RALSTON: Will be done by the railway forces.

Senator POWER: Have you called for tenders yet?

Mr. RALSTON: Yes, contingent, of course, upon the bill being passed by Parliament.

Senator POWER: So you have actually called for tenders?

Mr. RALSTON: Yes, in order to save time there was a call for tenders, contingent upon Parliament giving us authority to build the line.

Senator POWER: Are the tenders in?

Senator ASELTINE: Have you cleared the right of way?

Mr. RALSTON: No. That work will start just as soon as we receive authorization from Parliament.

Senator BURCHILL: Mr. Ralston, I am very much concerned about our mines in northern New Brunswick. You know there are a lot of men there who are waiting for those mines to open. This will be bad news for them, because they have been told that there is no market for zinc concentrate, that the world market won't absorb it, and they have just got to wait until there is a market; and yet your company is building a railway there to open up these mines, to bring the concentrate out, when in New Brunswick everything is as flat as a pancake.

Mr. RALSTON: Not quite, Senator Burchill. As perhaps you may have heard, mining companies are in there now preparing for production without knowing the precise date when they actually will get into production. The Heath Steele people are on their property now doing certain work, and I believe hope to get into production fairly soon.

Senator BURCHILL: Do you think there are any prospects of them starting up that mine?

Mr. RALSTON: I think so.

Senator SMITH (*Kamloops*): Will the outcome of this project have a bearing on what happens there?

Mr. RALSTON: What happens where?

Senator SMITH (*Kamloops*): Whether it is going into production or not?

Mr. RALSTON: I do not think so. I think the chief factors are price, costs of production, and metallurgy. It is a very difficult metallurgy, unfortunately, in New Brunswick.

Senator POWER: I am advised that some trade papers have already announced the names of the successful tenders on this work.

Mr. RALSTON: Yes, I heard that but I do not know who they are.

Senator POWER: You do not remember the names?

Mr. RALSTON: I do not know who they are. The announcement may be just a guess.

Senator POWER: In any case it is not likely to be official as yet?

Mr. RALSTON: It cannot be official.

Senator POWER: The trade paper may know but the Canadian National Railways does not know. Am I right in the supposition?

Mr. RALSTON: Well, I do not think any contract can be awarded until the line to be built is authorized by Parliament.

Senator POWER: Is it likely that the Canadian National Railways officials might have advised contractors that they were the low tenderers?

Mr. RALSTON: That is not my department. I do not know. The only purpose in calling for tenders before the bill was authorized by Parliament was to try to save some time, with the proviso, as I say, that the line had to be authorized first by Parliament. Having received the tenders, and the authorization, the engineering department would be ready to begin work at once.

Senator POWER: Would the prices submitted by those contractors have been a factor in the estimate you made in the cost of the line?

Mr. RALSTON: Actually, we made the estimate of the cost of the line before we received the bids—in fact, long before. We made the estimate of the cost of the line last October.

Senator HORNER: Before you ever called for tenders?

Mr. RALSTON: Yes.

Senator POWER: May I ask if the tenders came within reasonable distance of your estimate?

Mr. RALSTON: I do not know.

Senator POWER: You would not know that?

Mr. RALSTON: I have no idea, but I do know that in the case of the Chibougamau line, for example, our estimate for the cost of construction from Beattyville to Chibougamau and St. Felicien was \$35 million, and the actual cost was \$34 million and something.

Senator CONNOLLY (*Ottawa West*): When did you call for tenders?

Mr. RALSTON: On December 22nd, 23rd and 27th, 1960.

Senator CONNOLLY (*Ottawa West*): When were they to be in?

Mr. RALSTON: They were to be received up to 12.30 p.m., eastern standard time, 23 January, 1961.

Senator POWER: They are in now, in that case?

Mr. RALSTON: Yes.

Senator CONNOLLY (*Ottawa West*): How many people will be employed on these contracts?

Mr. RALSTON: On the construction of the railway?

Senator CONNOLLY (*Ottawa West*): No, I was thinking of the first contracts, the clearing and grading.

Mr. RALSTON: On the construction of the railway the average is 175, and the peak is 350 to 400. I will have the contract figures for you in a moment.

Senator CONNOLLY (*Ottawa West*): Why would you not have made this application for this measure earlier in the session, last fall, when we had so much unemployment?

Mr. RALSTON: We did make it, on November 8.

Senator CONNOLLY (*Ottawa West*): It just was not brought forward, that is all?

Mr. RALSTON: I do not know.

Senator SMITH (*Queens-Shelburne*): I would like to ask you a general question on policy. Is it the policy of the C.N.R. to go into any part of the country at all where some company has discovered a good ore body and where there are prospects for developing a market? Is it your policy to go in and build a railway, just because they ask you? Do you ever sit back and wait, or do you ask them to operate their own railway, and then join it up with the C.N.R.? Are we always open to going into the country and assisting companies in their development?

Senator HORNER: I hardly think that is a fair question.

Senator SMITH (*Queens-Shelburne*): He is the man who represents the development branch of the C.N.R., and I am just interested in that.

Mr. RALSTON: As far as mines are concerned, and I think any other resources, I think the answer to your question is, yes, very definitely yes, if the proposal shows a profit for the Canadian National Railways. Since the end of the war we have built—

Senator SMITH (*Queens-Shelburne*): You have built hundreds of miles, and I have seen the figure.

Mr. RALSTON: —655 miles, representing nine branch lines, and this one will be the tenth.

Senator SMITH (*Queens-Shelburne*): They were lying in areas where private enterprise did not want to get into it, whatever their reasons were.

Mr. RALSTON: They were all private enterprise projects.

Senator SMITH (*Queens-Shelburne*): But the building of the railway was done by the C.N.R.?

Mr. RALSTON: Yes.

Senator SMITH (*Queens-Shelburne*): What puzzles me is it seems to be the thing to do, in some cases, for a company to build its own railroad and bring out its own concentrates or ores. Yet in other cases they come to the C.N.R. and ask them to do it for them. I am wondering why there is that choice.

Mr. RALSTON: I was trying to think of the railways actually built by private companies themselves.

Senator SMITH (*Queens-Shelburne*): There is a big one, the iron ore people.

Mr. RALSTON: Yes. These railways are rather special cases because they do not connect with any other railway and are purely iron-ore rail-

ways, operating a shuttle service along a line from iron ore properties to the closest deep water. As I say, they are rather special cases. Apart from those, I cannot think of any others.

Senator SMITH (*Queens-Shelburne*): There was one in Newfoundland years ago.

Mr. RALSTON: Buchan's in Newfoundland have about 40 or 50 miles of their own.

Senator SMITH (*Queens-Shelburne*): And Carrol Lake.

Mr. RALSTON: Yes, but the Buchan's one had started about 1955, and was there when Canada joined Newfoundland.

Senator SMITH (*Queens-Shelburne*): I am not saying I think the policy is wrong at all, but I am trying to get the thing straightened out in my own mind.

Senator POWER: Two or three years ago Sherritt Gordon built one into their mines.

Mr. RALSTON: We built about 144 miles up to Lynn Lake for Sherritt Gordon.

Senator POWER: In connection with that same piece of legislation, it seems to me there was one line of railway built, and the railway took over the line.

Mr. RALSTON: What you are thinking of is the International Nickel Company line from a place called Sipiwesk, on the Hudson Bay railway, to what was later named Thompson, a distance of about 30 miles. That was a special case. International Nickel wanted a railway right away. We said, "We have to go to Parliament, and we cannot until"—I have forgotten how many months later.

Senator CONNOLLY (*Ottawa West*): Over six miles you have to come to Parliament?

Mr. RALSTON: Yes, usually, but that is not quite a correct statement of the case, because if a company comes to us and says, "We will make a private siding agreement with you", in that case we can build for even 100 miles under a private siding agreement; but if it is a branch line we have to come to Parliament. Anything under six miles is not a branch line, and has to be built under the terms of the private siding agreement.

Senator POWER: Do I understand that in this particular case there was a report by the Canadian National Railways' officials of the various branches—traffic and economics, or whatever it is—that showed the cost would be \$9 million, and that the line would pay for itself?

Mr. RALSTON: Yes.

Senator POWER: Is that the substance of their report to you, that was made by C.N.R. officials?

Mr. RALSTON: Yes, sir.

Senator POWER: That it would be a paying road?

Mr. RALSTON: Yes, we think so.

Senator POWER: You have the figures. You showed that in the figures contained in your report, did you not?

Mr. RALSTON: Yes, our estimates show that based on the operations of Mattagami Lake Mines only and of supplying the needs of a town of something in the order of 3,000 people, the line will show a profit. That is to say, it will meet all the costs, pay interest on the capital, and amortize the line over a period of about 35 years.

Senator STAMBAUGH: What do you figure is the interest rate you expect to get on this line?

Mr. RALSTON: That is a rather embarrassing question. All I can tell you is that it is a fair and reasonable interest rate; but as to the precise amount I would not like to say, because that would be rather in the nature of revealing our costs. We are perfectly happy to show it to you in confidence, but we do not like to make it public.

Senator STAMBAUGH: I take it you consider a fair rate will pay all the costs and that over a period of years it will pay for the railway?

Mr. RALSTON: And make a substantial contribution to the overhead.

Senator STAMBAUGH: Well, I take your word for it.

Senator ISNOR: Before we leave this, I have a press dispatch in my hand which says that Mr. Gordon was considering taking over the Springhill Junction sideline. Do you know anything about that?

Mr. RALSTON: I am afraid I do not. That is a special case; it is a matter of high policy. I am afraid it is quite without my province.

Senator ISNOR: Perhaps the minister would care to comment on that dispatch?

Hon. Mr. BALCER: All I can say is there has been a request from Premier Stanfield to us, and this request has been passed along to the C.N.R. Also we have received quite a lot of correspondence on the matter. However, at the present time the C.N.R. has not taken any decision, and the matter is still being considered by them. There has been no decision reached for the railroad to take over this short line.

We have been receiving quite a lot of correspondence in the matter, but at the present time the C.N.R. has not made any decision to take over this short line.

Senator ISNOR: And as you know, there is a mine in connection with that, and it is very important to Springhill.

Hon. Mr. BALCER: Yes.

Senator ISNOR: I would hope that the decision might be a favourable one.

With respect to clause 4 of the bill, may I ask the Minister what rate of interest will be charged to the C.N.R.?

Mr. TASCHEREAU: If I may answer that question, Mr. Chairman, may I say first that we do not expect to finance the project ourselves under the provisions of this bill. As you know, Senator, we will be back here this year with a financing and guarantee bill, before a committee of which I believe you are a member, for our financing of this branch line and any other branch lines to be built under the act. In other words, if we are going to spend \$4 million in 1961 on the construction of this line, this will be covered in the financing and guarantee bill of 1961 under "branch lines." So that the provision in clauses 4, 5, 6 and 7 is not likely to be resorted to or applied by the C.N.R.

Senator ISNOR: In other words, you are not putting out \$9,600,000?

Mr. TASCHEREAU: No.

Senator ISNOR: You will come back here from time to time for an advance.

Mr. TASCHEREAU: Yes.

Senator ISNOR: Suppose you come back this year or next year for \$4 million, what would you expect the Government to charge you for that amount?

Mr. TASCHEREAU: The formula that has been applied in the past is that we pay the Government the average rate of the three-month treasury bills that are sold by the Government during the preceding month, and to this is added, or used to be added, one-quarter of one per cent. This has been the practice between the Department of Finance and the railways for a long time.

Senator ISNOR: You are connected with the financing end, are you?

Mr. TASCHEREAU: Yes.

Senator ISNOR: The only thing I can say to you is that you better get in there as quickly as you can.

Senator CONNOLLY (*Ottawa West*): Are these amounts mentioned in the bill the ceiling of what may be expended on this line, or can they be increased?

Mr. TASCHEREAU: Under clause 3 the amount may be increased by 15 per cent. If we were to increase our expenditures by more than 15 per cent we would have to apply to the Governor in Council.

Senator POWER: Does the 15 per cent apply only to the cost of tenders?

Mr. TASCHEREAU: That would apply to the total cost of \$8,400,000.

Senator ISNOR: That is where you get the figure \$1,260,000. In the schedule you have the figure \$8,400,000, and then you put in the 15 per cent, and ask for \$9,660,000.

Mr. TASCHEREAU: That is the figure that appears now in sections 4 and 5—\$9 million-odd, and that includes the 15 per cent.

Senator ISNOR: Is that a fairly high difference between your estimated figure and the final cost?

Mr. TASCHEREAU: Our experience has been that we do not often exceed the estimate that appears in these bills, but on occasion we have exceeded it. We have this authority under a similar clause and similar acts.

Senator ISNOR: It gives you quite a leeway.

Mr. TASCHEREAU: We have a leeway. But as I mentioned at the beginning, if we need money in that respect, this is examined by Parliament when we come up with our financing and guarantee bill.

Senator STAMBAUGH: On that score, I would like to ask you a question with regard to the Chibougamau railway. There, you said your estimate was \$35 million and the cost was \$34 million. May I ask whether that \$34 million included the 15 per cent?

Mr. RALSTON: The total cost estimated from Beattyville to Chibougamau and down to St. Felicien was \$35 million, or \$119,184 per mile; the actual cost as it turned out was \$34,788,219, or \$118,126 per mile.

Senator STAMBAUGH: My question was, did the \$35 million include 15 per cent?

Mr. RALSTON: No. That was the estimated cost without the contingencies.

Senator STAMBAUGH: So, you could have spent another 15 per cent?

Mr. RALSTON: Right.

Senator EMERSON: Getting back to the mineral question, I understand the big mineral in that area is zinc.

Mr. RALSTON: Yes.

Senator EMERSON: Under the Eisenhower government a system of quotas was established, the mining people of Canada accepted those quotas, and they worked out very well. I understand that the mining people who recently appeared before the Special Committee on Manpower and Employment said that the new government in the United States is going to, practically speaking, put a ban on zinc going into that country. If that were done, what kind of blow would that be to the mines in the area?

Mr. RALSTON: Of course it would be a very heavy blow.

Senator EMERSON: Has that matter been taken into consideration, since the new government came into power at Washington?

Mr. RALSTON: I don't think they could put a ban on zinc, because they actually need our zinc concentrates.

Senator EMERSON: You say they can handle the output from this mine?

Mr. RALSTON: They can handle part of it, yes.

Senator BURCHILL: Are there any other countries where it can be disposed of?

Mr. RALSTON: Yes. Europe is a very large market. As a matter of fact, Europe now consumes more zinc than the United States and Canada put together.

Senator ASELTINE: Mr. Chairman, we have the Minister here. Would we like to hear from him?

Hon. Mr. BALZER: Honourable senators, if there are any questions, I would be pleased to answer them; if not, I wish to thank you for the interest you have shown in this bill and for your quick disposal of it.

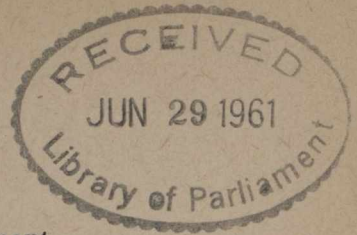
This is a very important bill, and the new railway line will contribute much to this northern area. The whole proposition is very sound, as you will have gathered after hearing the witnesses. It is a sound business deal for the railroad, and it is very sound as far as the future prospects of the north of the province of Quebec is concerned.

Thank you, honourable senators, for your interest in this bill.

The ACTING CHAIRMAN: Honourable senators, you have heard the explanation of the bill. Is it your wish to report the bill without amendment?

Some Hon. SENATORS: Agreed.

The committee adjourned.



Fourth Session—Twenty-fourth Parliament
1960-61

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the
Bill C-98, intituled:
An Act to amend the Canada Shipping Act.

The Honourable A. K. HUGESSEN,
Chairman.

TUESDAY, JUNE 20th, 1961

WITNESSES:

Mr. Gordon O'Brien, Manager, Fisheries Council of Canada; Mr. Alan Cumyn, Director of Marine Regulations, Department of Transport; Mr. J. R. Baldwin, Deputy-Minister, Department of Transport; Mr. R. R. Macgillivray, Assistant Counsel for the Department of Transport; Mr. Marc Lalonde, Counsel for the Federation of the St. Lawrence River Pilots; Mr. Jean-Guy Chartier, Vice-President of the Federation and President of the Corporation of the St. Lawrence River and Seaway Pilots; Captain F. S. Slocombe, Chief of the Nautical Division, Department of Transport.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

*Aseltine	Gladstone	Molson
Baird	Gouin	Monette
Beaubien (<i>Provencher</i>)	Grant	Paterson
Bishop	Haig	Pearson
Blois	Hardy	Power
Bouffard	Hayden	Quinn
Bradley	Horner	Raymond
Brunt	Hugessen	Reid
Buchanan	Isnor	Robertson
Campbell	Jodoin	Roebuck
Connolly (<i>Ottawa West</i>)	Kinley	Smith (<i>Kamloops</i>)
Connolly (<i>Halifax North</i>)	Lambert	Smith (<i>Queens-</i> <i>Shelburne</i>)
Courtemanche	Lefrançois	Stambaugh
Dessureault	*Macdonald	Veniot
Emerson	McGrand	Vien
Euler	McKeen	Woodrow—50.
Farris	McLean	
Gershaw	Méthot	

50 members
(Quorum 9)

* *Ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate,

Thursday, June 15th, 1961.

“Pursuant to the Order of the Day, the Honourable Senator Blois moved, seconded by the Honourable Senator Buchanan, that the Bill C-98, intituled: “An Act to amend the Canada Shipping Act”, be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Blois moved, seconded by the Honourable Senator Buchanan, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative.”

J. F. McNeill,
Clerk of the Senate.

REPORT OF THE COMMITTEE

TUESDAY, June 20th, 1961.

The Standing Committee on Transport and Communications to whom was referred the Bill C-98, intituled: "An Act to amend the Canada Shipping Act", have in obedience to the order of reference of June 15th, 1961, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, June 20th, 1961.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 11.00 A.M.

Present: The Honourable Senators; Hugessen, *Chairman*; Aseltine, Blois, Brunt, Buchanan, Connolly (*Halifax North*), Gershaw, Horner, Lambert, Macdonald (*Cape Breton*). McGrand, Pearson, Smith (*Queens-Shelburne*), Smith (*Kamloops*), Stambaugh and Woodrow.—16.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary counsel. Official Reporters of the Senate.

Bill C-98, An Act to amend the Canada Shipping Act, was read and considered clause by clause.

On motion of the Honourable Senator Brunt, seconded by the Honourable Senator Smith (*Queens-Shelburne*), it was resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Heard concerning the said Bill were: Mr. Gordon O'Brien, Manager, Fisheries Council of Canada; Mr. Alan Cumyn, Director of Marine Regulations, Department of Transport; Mr. J. R. Baldwin, Deputy-Minister, Department of Transport; Mr. R. R. Macgillivray, Assistant Counsel for the Department of Transport; Mr. Marc Lalonde, Counsel for the Federation of the St. Lawrence River Pilots; Mr. Jean-Guy Chartier, Vice-President of the Federation and President of the Corporation of the St. Lawrence River and Seaway Pilots; Captain F. S. Slocombe, Chief of the Nautical Division, Department of Transport.

Also in attendance but not heard: Mr. Paul Bailly, President of the Federation of the St. Lawrence River Pilots; Mr. J. H. Kay, Steamship Inspection Service; Mr. G. W. R. Graves, Nautical Services, Department of Transport; Mr. G. G. M. Guthrie, Registry of Shipping, Department of Transport and A. G. E. Argue, Radio Regulations Division, Department of Transport.

After discussion, it was resolved to report the said Bill without any amendment.

At 12.45 P.M., the Committee adjourned to the call of the Chairman.

Attest.

Gerard Lemire
Clerk of the Committee.

THE SENATE
THE STANDING COMMITTEE ON TRANSPORT AND
COMMUNICATIONS

EVIDENCE

OTTAWA, Tuesday, June 20, 1961.

The Standing Committee on Transport and Communications, to which was referred Bill C-98, an act to amend the Canada Shipping Act, met this day at 11 a.m.

Hon. A. K. HUGESSEN in the Chair.

The CHAIRMAN: Honourable senators, it is now 11 o'clock, the time the committee was appointed to meet, and we have a quorum. We have for consideration today two bills, a Government bill C-98, an act to amend the Canada Shipping Act, and in respect of which I understand we are to have certain representations. The other bill before us is C-33, an act to amend the Transport Act. The latter bill only went through the Senate on second reading last Friday, and I am informed that there is to be some discussion on that bill, that the two railway companies wish to be heard on it, but they are not ready today. I think in view of the fact that our whole time will probably be spent on bill C-98, we should perhaps adjourn the hearing of Bill C-33 until say Thursday of next week, and proceed with Bill C-98 now, if that would be the wish of the committee.

Some SENATORS: Agreed.

The CHAIRMAN: Then, will those who are in connection with Bill C-33 be good enough to be here Thursday morning next week at 10.30, and we shall proceed with Bill C-98 this morning.

Bill C-98 was explained on second reading by Senator Blois. There are a number of officials of the Department of Transport here available to explain various sections of the bill. There are: Mr. J. R. Baldwin, Deputy Minister, whom you will remember from several previous meetings of this committee; Mr. Alan Cumyn, Director of Marine Regulations; Mr. R. R. Macgillivray, Assistant Counsel; Mr. F. S. Slocombe, Chief of Nautical and Pilotage; Mr. J. H. Kay, Steamship Inspection Service; Mr. G. W. R. Graves, Nautical Regulations; Mr. G. G. M. Guthrie, Registry of Shipping; and Mr. A. G. E. Argue, Radio Regulations Division.

Now, gentlemen, I am informed that we are to have representations, on certain sections only of the bill, from other interested parties. With respect to clause 9, Mr. Gordon O'Brien, who is manager of the Fisheries Council of Canada, wishes to make a short statement; and with respect to clause 15, which deals with pilotage on the St. Lawrence River between Montreal and Lake Ontario, there are representations to be made to us by the Federation of St. Lawrence pilots. The names of their representatives are: Mr. Marc Lalonde, Counsel for the Federation of the St. Lawrence River pilots; Mr. Paul Bailly, President of the Federation; Jean-Guy Chartier, Vice President of the Federation and President of the Corporation of the St. Lawrence River and Seaway pilots. I wonder whether it would not be best for us to proceed first with those sections which interest outside parties and hear their evidence first so that we can let them go.

Some SENATORS: Agreed.

The CHAIRMAN: Does the committee feel the proceedings should be printed, and if so, perhaps someone will move accordingly?

Senator BRUNT: I move that a verbatim record be taken of the proceedings of this meeting, and that there be printed 800 copies in English and 200 copies in French.

Senator ASELTINE: I second the motion.

Motion agreed to.

The CHAIRMAN: Dealing first with section 9 of the bill, I am told that Mr. O'Brien has a very short statement of about three minutes that he wishes to make in respect to that section, Mr. O'Brien being, as I have said, the manager of the Fisheries Council of Canada. Shall we hear him first, and then any comments on his statement may be made which any officials of the department wish to make?

GORDON O'BRIEN, Manager, Fisheries Council of Canada: Mr. Chairman and honourable members of the committee, the short statement I wish to make is in reference to clause 9, in connection with the proposal for a new class of engineer for motor driven fishing vessels.

The CHAIRMAN: Which subsection is that?

Mr. O'BRIEN: On page 5 we find it under (f) (g); on page 6 we find it under (1) (ii), and there is a brief reference to it again in clause 11 which simply makes provisions for the category.

This proposal applies only to motor-driven fishing vessels of from 10 to 25 nominal horse power.

The CHAIRMAN: Solely engaged in fishing?

Mr. O'BRIEN: Solely engaged in fishing, yes, Mr. Chairman. These vessels presently are required to have a third class engineer. We have had difficulty over the years in getting sufficient men qualified as third class engineers to take over these responsibilities in these vessels. I assume you appreciate I am speaking now of rather large vessels. Vessels of from 10 to 25 nominal horse power are equivalent to a vessel of 400 brake horse power.

Senator SMITH (*Queen's-Shelburne*): To what kind of fishing vessels would this apply? To trawlers largely, of the Cape class?

Mr. O'BRIEN: That is right and the very large seiners and the draggers. These vessels are now required by the regulations to carry third class engineers. We have had difficulty getting them and this request for this change came to the Department of Transport from the fishing industry and we are very pleased they have accepted it and incorporated it in the amendment. We felt that if a special certificate was available for fishing vessels, the examination for which would place more emphasis on the practical aspects and the safe operation of these vessels at sea then it would be easier for us to comply with the law and have certificated engineers. Safety in such a special certificate would not be minimized.

Senator ASELTINE: Who would qualify for this particular certificate?

Mr. O'BRIEN: In the syllabus for the examination there is a requirement for so much time already spent at sea on vessels of a certain size. In other words it would have to be a man who already had experience in the class of vessel under consideration.

Senator ASELTINE: You are suggesting that he might not be an engineer at all.

Mr. O'BRIEN: No, I am suggesting a different certificate than that of the third class engineer, with an examination that would put more emphasis on the

practical aspects and safe operation of the vessel at sea and a little less emphasis on theory. We have had great difficulty with the type of people we get in the fishing industry and getting them to the point where they can get this third class certificate. I admit that this departure might mean a little less efficiency in operation in that a man with more theory can get the last bit of power out of that gallon of fuel, but it would not affect the safe operation of the vessels. The syllabus for the examination of these proposed new certificates, chief engineer of a motor-driven fishing vessel, has been discussed in detail with the fishing industry and we have reached general agreement with the department on what they propose.

Senator PEARSON: Is the examination a written or oral one?

Mr. O'BRIEN: Both written and oral, with heavy emphasis to be placed on the oral section. In other words the understanding with the department is that if a man falls down a little in the written section, if he can show a good oral knowledge and can answer all these questions and that otherwise he is a competent person, then he will be certificated.

The CHAIRMAN: I gather you are not suggesting any change in the legislation? What you are talking about now is covered by regulations, is it not?

Mr. O'BRIEN: The proposal is to add a new category of engineer. The act now to be known as the chief engineer of a fishing vessel. This new certificate will enable a man to operate a fishing vessel of from 10 to 25 nominal horse power whereas at present we are required to have a third class engineer for that job. The chief engineer of a fishing vessel will inherently be very much the same as a third class certificated engineer but with more emphasis on the side of vessel operation.

Senator CONNOLLY (*Halifax North*): How do you define a steamship? Would it be, for example, a fishing boat diesel-powered?

Mr. O'BRIEN: Mr. Chairman, may I call on Mr. Cumyn? We are not discussing steamships at the moment.

Mr. CUMYN: It is relevant, though.

Senator CONNOLLY (*Halifax North*): Well, we will come to that later on.

The CHAIRMAN: To answer your question, Senator Connolly, a steamship is defined in the Shipping Act as, "steamship" or "steamer" means any ship propelled by machinery, and not coming within the definition of sailing ship.

Are there any questions members of the committee wish to ask Mr. O'Brien?

Senator SMITH (*Queens-Shelburne*): Has your attention been directed to clause 14 which provides an amendment to the various regulations regarding crew and accommodations? Have you had any discussions with the department as to what the requirements should be in a fishing vessel?

Mr. O'BRIEN: No, we have not had any discussions with them, Senator Smith.

The CHAIRMAN: Any further questions to Mr. O'Brien?

I do not think that we need to hear any officer of the department on this subject seeing that Mr. O'Brien is speaking in support of the bill.

Shall we proceed to the other sections on the bill on which there seems to be some controversy? As to section 15, dealing with pilotage on the river St. Lawrence. I would suggest that we have an official of the Department of Transport first explain the reasons for inserting this section and then have criticisms on it from interested parties.

Mr. Cumyn, are you in a position to explain this?

Mr. ALAN CUMYN, Director of Marine Regulations, Department of Transport:

Mr. Chairman, this proposed amendment stems somewhat from conversations we had with the United States during our discussions on the question of pilotage in the Great Lakes basin in which we provided for co-operation between the two countries in respect to pilotage in that area. They let us know informally at that time that they would not take too kindly to any situation that would not provide for equal treatment as between Canadian and the United States lake vessels with respect to exemption from compulsory payment of pilotage dues in the Cornwall section which is purely Canadian waters and which lies between Montreal and Canada. During our discussions with them with respect to general pilotage questions in the Great Lakes basin they agreed to exemption from compulsory pilotage—and they even provided for Canadian pilots to carry out pilotage functions—in the waters of Lake Michigan, which are purely U.S. waters. They were also very co-operative with us in allowing us five years to achieve parity in numbers of pilots in the Great Lakes basin. At this time, sir, Canada has practically all the pilots—or, rather, up to this spring Canada had all of the pilots in the Great Lakes basin, and the United States had none. Had they so desired, they could have demanded parity in pilotage numbers right away, but they consented to a five-year period, during which parity could be achieved by a natural reduction in the Canadian numbers. It is with this background, sir, we decided to propose to the government that there should be exemption of compulsory payment of pilotage dues for U.S. ships on the Cornwall-Montreal section of the river. This exemption is already provided for in the case of Canadian vessels. I think that is all I have to say, sir.

Senator LAMBERT: What about the area below Montreal?

Mr. CUMYN: There is no change in that area.

Senator LAMBERT: We discussed that subject the last time this matter came up, and it was quite a contentious one.

Mr. CUMYN: There is no change in that regard.

Senator BRUNT: Are pilots required from that point where the St. Lawrence comes out into Lake Ontario, from there to the head of the Lakes?

Mr. CUMYN: Between Kingston and St. Regis is purely an international section of the river. That is part of the Great Lakes basin that was taken care of in our agreement with the Americans which provided for compulsory pilotage in the whole of the Great Lakes basin. This compulsory pilotage applies to the narrower waters.

Senator BRUNT: But from the Great Lakes up?

Mr. CUMYN: Yes, that is part of the Great Lakes basin.

Senator BRUNT: So from St. Regis to Duluth, Fort William or Port Arthur you must have a pilot?

Mr. CUMYN: In the narrow waters.

Senator BRUNT: But what are they?

Mr. CUMYN: They extend from St. Regis to Kingston, and from Port Weller to Sarnia.

Senator BRUNT: Lake Erie is considered different?

Mr. CUMYN: Only the part from Eastern Shoals up to the St. Clair River. From Port Weller through the Welland Canal, and from Eastern Shoals to Sarnia, and, again, through the Sault locks, these have been designated narrow waters. In these waters compulsory pilotage by Canadian or U.S. pilots is required.

Senator BRUNT: Has that always been the case?

Mr. CUMYN: No.

Senator BRUNT: When did that come into effect?

Mr. CUMYN: That came into effect with the advent of the new section of the act setting out pilotage in the Great Lakes basin, which came into force this year.

Senator LAMBERT: That includes St. Mary's River?

Mr. CUMYN: Yes.

Senator HORNER: What about Lake Superior?

Mr. CUMYN: I should explain that in the open waters, and these are waters other than those designated waters, a foreign ship requires a pilot unless they have on board an officer of the ship, a member of the crew, who has been certificated for pilotage in the open waters by the U.S. or Canadian Governments.

Senator PEARSON: Is it the same cost for a pilot on open waters as it is on narrower waters?

Mr. CUMYN: No, there are charges laid out for narrow waters based on distance. There is a charge laid out for pilotage in open waters based on so much a day.

Senator BRUNT: Foreign vessels operating between Port Colborne and a port on the south shore of Lake Erie, would they require a pilot?

Mr. CUMYN: If such a vessel were a foreign flag vessel and did not have on board an officer, a member of the crew, certificated by the U.S. or Canadian governments, it would require a registered pilot.

Senator BRUNT: The same would apply to boats operating out of Owen Sound on these excursion tours to Manitoulin Island and other points.

Mr. CUMYN: Yes.

Senator BRUNT: What is necessary for a member of the crew to qualify as a pilot?

Mr. CUMYN: He shall hold a foreign-going certificate of competency as master and shall have had two trips into those waters of the Great Lakes for which he is seeking certification.

The CHAIRMAN: In the case of a foreign vessel is there not the requirement that he must have an adequate knowledge of the English language, so that he can read the necessary signs?

Mr. CUMYN: Yes, and he shall have a knowledge of the rules of the road.

Senator LAMBERT: And the necessary knowledge of the operation of the ship?

Mr. CUMYN: Yes.

Senator SMITH (*Queens-Shelburne*): Presently, with respect to the waters covered by clause 15, are we exempting both Canadian and British ships from compulsory pilotage?

Mr. CUMYN: British ships, including Canadian ships, are presently exempted.

Senator BRUNT: Does foreign registered ship even if it has an entirely Canadian crew, have to have a pilot?

The CHAIRMAN: In which area, Senator Brunt?

Senator BRUNT: In the Great Lakes area?

Mr. CUMYN: In this section of the river—

Senator BRUNT: No.

Mr. CUMYN: In this Cornwall section?

Senator BRUNT: No, from Kingston to Duluth. Say you have a foreign registered ship which has an entirely Canadian crew?

Senator PEARSON: That would be an unusual kind of ship, would not it?

Senator BRUNT: No, there are lots. You cannot get them registered in Canada, and they have to sail under foreign registry.

Mr. CUMYN: We have made it a rule that British ships having a Canadian crew shall be exempt.

Senator BRUNT: All right, take a United States' registered ship.

Mr. CUMYN: No, I do not think so.

Senator BRUNT: They have to have a pilot?

Mr. CUMYN: Yes. In agreement with the Canadian and United States legislation. They provide for exemption from compulsory pilotage only for U.S. Great Lakes vessels.

Senator BRUNT: In other words, the only type of vessels that are exempt, as far as we are concerned, are those which are Canadian and British registered?

Mr. CUMYN: Yes.

Senator BRUNT: Outside of that, they must have a pilot or one of their own officers certified as a pilot?

Mr. CUMYN: Yes.

Senator LAMBERT: But even on the British and Canadian registered you have to have a qualified pilot?

Mr. CUMYN: A Canadian vessel would have on board a master certificated for the Great Lakes.

Senator LAMBERT: It is not a question of nationality, but a question of the qualifications.

Senator BRUNT: But you could have a master on a ship registered in the United States, and unless he were certified specifically as a pilot he would have to have a pilot?

Mr. CUMYN: Yes, unless, of course, it were a United States Great Lakes vessel.

Senator BRUNT: Yes.

The CHAIRMAN: Are there any further questions for Mr. Cumyn on this section? I gather this section was put in, really, as a sort of reciprocity to the United States for their allowing Canadian ships to navigate on Lake Michigan without a pilot?

Mr. CUMYN: There was no direct agreement with the Americans on this. It was put in with their approach in the background, but we had no direct agreement with them.

The CHAIRMAN: Do you feel that with this section you are fulfilling the spirit of the negotiations between the two countries?

Mr. CUMYN: Yes, precisely.

The CHAIRMAN: Are there any further questions? If there are no further questions of Mr. Cumyn, shall we hear the representations of the pilots with regard to this section?

Senator BLOIS: Just before we do that, Mr. Chairman, while I sponsored this bill in the Senate, I notice in clause 15(ii) it says:

“whose operations are primarily as described in subparagraph (i) and that make occasional voyages to ports in the maritime provinces of Canada.”

I am wondering if that should not be changed to “Atlantic provinces”, because Newfoundland is not a Maritime province.

The CHAIRMAN: Perhaps it was intended to exclude Newfoundland.

Mr. BALDWIN: This corresponds with the identical passage in Part VIA of the Shipping Act, which relates to Great Lakes pilotage, and it was deemed it should be placed on an identical basis with that definition.

The CHAIRMAN: Would that include Newfoundland, in your view?

Senator BLOIS: I do not think it would.

The CHAIRMAN: Senator Blois wants to know whether this new definition would include an occasional voyage to Newfoundland.

Mr. BALDWIN: A legal interpretation is involved.

The CHAIRMAN: Mr. MacGillivray, can you enlighten us on that question?

Mr. R. R. MACGILLIVRAY, Assistant Counsel, Department of Transport: Mr. Chairman, as a matter of drafting, the Department of Justice took the wording for this clause from section 375B of the act as passed by Parliament in August, 1960, as contained in chapter 40, of the statutes of that year. In selecting this wording we were somewhat influenced by the wording in the United States legislation and of the agreement between Canada and the U.S. on Great Lakes pilotage. Certainly, the intention of the officers drafting it was that the maritime provinces of Canada—and those words are not capitalized—include the four maritime provinces.

The CHAIRMAN: Does that satisfy you, Senator Blois?

Senator BLOIS: As long as it is clearly understood, as it concerns the people in that part of the country. In the old regulations "maritime provinces" did not include Newfoundland. It seems to me the language might be the subject for debate among lawyers.

Senator CONNOLLY (*Halifax North*): Mr. Chairman, Senator Blois is quite right when he says that "maritime provinces" does not include Newfoundland. In modern terminology "Atlantic provinces" includes the four eastern provinces.

Mr. MACGILLIVRAY: I think both expressions are colloquial, and in law "maritime provinces" would probably include the Gaspé coast.

The CHAIRMAN: I think from a practical point of view the departmental view would have effect, because the section applies for an exemption from payment of pilotage dues for certain vessels, which is a matter that would have to be interpreted by the department. If the department found that a Great Lakes vessel was occasionally going to Newfoundland, they would include it.

Senator CONNOLLY (*Halifax North*): It is just a question of whether the wording puts Mr. Smallwood's domain in jeopardy.

The CHAIRMAN: Is the committee ready to hear the representative of the pilots federation?

Some SENATORS: Agreed.

The CHAIRMAN: Mr. Lalonde, do you wish to make a preliminary statement and then call upon your witnesses? We are at your disposal as to how you wish to to present your case.

Mr. MARC LALONDE, Counsel, Federation of St. Lawrence River Pilots: Mr. Chairman, perhaps I could make a short statement, and if specific questions are asked as to detailed operations I could then call on the experts.

Mr. Chairman, honourable senators, I appear as counsel for the Federation of St. Lawrence River Pilots, which groups all the Canadian pilots in the St. Lawrence River from the Gulf to Kingston, roughly.

Senator PEARSON: How many pilots are there?

Mr. LALONDE: There are 278 or 279 pilots. Those pilots are grouped in several different corporations for the areas, but they are all members of the federation.

We have raised objections to clause 15 of the bill. First, I would like to say that there is no direct or immediate financial implications in our opposition to this clause. This does not concern the earnings of the pilots in the immediate future, in any event. It is more on the grounds, first, that we feel that this clause is a useless, self-imposed limitation of Canadian sovereignty in Canadian waters; and secondly, we feel that on grounds of safety this clause is, to say the least, premature.

First, may I say a few word about the Canadian sovereignty argument. The point of view of the Government in this matter seems to be that this was part of a deal with the American negotiators concerning the Great Lakes Basin.

The CHAIRMAN: As explained by Mr. Cumyn.

Mr. LALONDE: Yes.

I would like to recall to the committee the definition of "Great Lakes Basin", which was imposed by Parliament at the last session, and appears in chapter 40 of the 1960 statutes.

Clause 375A, paragraph (b) defines the Great Lakes Basin as:

- (b) "Great Lakes Basin" means the Canadian waters of the Great Lakes, their connecting and tributary waters, and the St. Lawrence River as far east as St. Regis in the Province of Quebec."

So, Great Lakes Basin, which was the subject of negotiation with the United States, includes all the Great Lakes and the St. Lawrence River as far east as St. Regis.

Now, we have before us a proposed amendment, the effect of which is to amend the Canada Shipping Act with respect to a part of the St. Lawrence River which is completely outside the Great Lakes Basin as defined by the amendment to the Canada Shipping Act last year. There is no mention of an agreement, the effect of which would have been to introduce the present amendment in the agreement which was negotiated with the United States and published in May 1961. The department has not produced any official request from the American negotiators to that effect. There is no written letter or text whatever which would say that the Americans have insisted that such an amendment should be passed by the Canadian Parliament.

Under international obligations, and especially international treaties, Canada has no obligation whatever to grant such an exemption to American ships on the St. Lawrence River, in what is strictly Canadian waters of the river. Even if one looks to the 1909 Boundary Waters Treaty one finds that its effect does not extend to the St. Lawrence River below St. Regis.

So we feel that this proposed amendment represents a new step in the Canada Shipping Act with respect to pilotage. It is the view of the pilots that a new principle is being introduced, to grant an exemption to American ships in strictly Canadian waters. Nowhere else in the Canada Shipping Act will one find such an exemption granted. We have seen by representations made before the house of Representatives concerning the Great Lakes Pilotage Bill in the United States, that the American trade unions in particular have made strong representations to Congress in order to get the right to pilot ships all the way down the river as far as the Gulf. There have been constant representations made by these groups of masters, mates and pilots in order to get the same privileges for American people on the St. Lawrence River, and in the strictly Canadian part of it.

We feel that the present amendment would represent a first step for Canada in that direction, and we feel that it has dangerous implications for the future of pilotage on the St. Lawrence River.

The second argument which is used, and which we propose, is one with respect to safety. It is said that what we have in the strictly Canadian waters of Canada is not compulsory pilotage, but only compulsory payment of pilotage dues. That is true, but that system in effect is equivalent to having compulsory pilotage. What happens is if the ships have to pay for the pilots then they will employ them rather than pay the dues and go on on their own.

Senator BRUNT: Just a minute. Suppose a pilot was not available and a ship proceeded on its way. Do the owners pay for the pilot, whether he is on board or not?

Mr. LALONDE: Theoretically, a ship can go on without a pilot at any time it wants. In practice what happens is that there are pilots available, and if there are not then the ship will wait.

Senator BRUNT: But a ship can operate without a pilot. What is required is that it pays pilotage dues?

Mr. LALONDE: That is correct. There is a special provision to that effect in the Canada Shipping Act.

Senator BRUNT: Can a ship carry on even though a pilot is available? Can the master say: "We do not want a pilot, but we will pay the dues"?

Mr. LALONDE: Yes, that can happen.

Senator PEARSON: What happens to these dues?

Mr. LALONDE: They are paid to the Pilotage Authority and are handed over to the pilots in a pool, and the pool is shared among all the pilots.

The CHAIRMAN: Perhaps honourable senators would like to hear that section. Section 340(1) of the Canada Shipping Act reads as follows:

The fact that the master or owner of a ship is liable to pay pilotage dues upon that ship in pilotage districts wherein, pursuant to this act, payment of such dues has been made compulsory does not entail an obligation on his part to employ, or to give his ship into the charge of a licensed pilot either in such districts or in any other; acceptance of pilotage services is optional.

Mr. LALONDE: Yes, it has been made quite clear in the act. The pilots feel that that part of the river contains difficult waters. With the opening of the St. Lawrence Seaway traffic has increased substantially, the speed of vessels has also increased, and the hazards to navigation are very considerable. American lake ships have very little experience in those waters. We have had only a few American lake ships coming down the river in the last few years. There may be every year four or five of them, but I do not think there are many more than that.

We feel that it is very dangerous to introduce a complete exemption for American lake ships such as is proposed by this amendment to the Canada Shipping Act. Our view in this connection is that it would be premature to grant such a full exemption to American lake ships in those waters.

As I have said, quite apart from the first argument there is an objection in principle to this clause in respect to the fact that these waters are strictly Canadian waters. This clause represents a limitation to our sovereignty in that respect, since it grants to American ships an exemption which they never had before in Canadian waters.

These are the main points that I wish to stress to the committee. If there are any other questions I will be glad to try to answer them, and in so doing to call upon the pilots here to answer them, if necessary. I do not want to take up much time of your committee. This clause has been debated, and I am sure you are aware of the implications of it. I am at your disposal, Mr. Chairman.

Senator PEARSON: I understand that one of the reasons for giving this concession to American ships was that our pilots have the right to proceed up Lake Michigan, which is strictly American waters. The question I would like to ask is: How many Canadian pilots avail themselves of that opportunity of going up Lake Michigan?

Mr. LALONDE: First of all, on this question of Lake Michigan in particular I must say that there are very few Canadian lake ships which use that privilege and which go into that strictly American part of the Great Lakes. In return for that privilege we have granted full exemptions to American lake ships in Georgian Bay, which is strictly Canadian waters, and also in the Welland canal. We feel that the area which was allocated for negotiation to the Canadian negotiators was the Great Lakes basin, and that they had no right to grant privileges to American ships up there. They might just as well have given similar privileges around Vancouver or in Hudson's Bay. We feel they have gone outside of the scope of the area which they were given for negotiation.

As to the number of Canadian pilots who would go into Lake Michigan I would prefer to call on Mr. Chartier to answer that question.

Senator BRUNT: I have a question—

The CHAIRMAN: Can we clear up this point first, Senator?

Mr. CHARTIER: It is hard to say, but very few pilots would be going up there. Very few Canadian ships would go there, in the first place. If foreign ships go up there then they would have to be licensed. The number would be very few, I am sure.

Senator BRUNT: Supposing a foreign ship picks up a pilot down in the St. Lawrence and proceeded on to Chicago. Would it have to change pilots before it got to Chicago?

Mr. LALONDE: A couple of times, sir.

Senator BRUNT: And where would it take on the last pilot?

Mr. LALONDE: The last one before reaching Chicago?

Senator BRUNT: Yes?

Mr. LALONDE: Maybe the department officials can answer that.

Mr. BALDWIN: Normally speaking, they can take on a pilot at Port Weller, or higher up. It is normally at Port Weller or Sarnia. May I correct something with respect to Lake Michigan? The reason for this agreement was not so much a matter of the freedom of Canadian pilots to operate in Lake Michigan, as it was the fact that Canadian lakers are allowed into Lake Michigan, which is purely within the United States, without any requirements with respect to pilotage being placed upon them.

Senator BRUNT: None at all?

Mr. BALDWIN: None at all.

Senator BRUNT: When did this compulsory payment of pilotage dues come into effect?

Mr. LALONDE: On the river generally?

Senator BRUNT: Yes?

Mr. LALONDE: Do you mean in the specific area, or generally on the whole St. Lawrence River?

The CHAIRMAN: From St. Regis to Montreal?

Senator BRUNT: Yes?

Mr. LALONDE: Last November.

Senator BRUNT: Up to that time did the Americans operate without a pilot?

Mr. LALONDE: There was no compulsory payment of pilotage dues for any nation.

Senator BRUNT: So our friends from the United States did not use pilots?

Mr. LALONDE: Yes—or ships from France, Liberia or China. They all operated without any requirements in that area.

Senator BRUNT: How did this compulsory payment of pilotage dues come about? Something must have happened to bring it about.

The CHAIRMAN: I think the compulsory payment of pilotage dues in the area below Montreal is a very old provision in the statutes. Its importation into this particular area which we are discussing resulted solely from the opening of the St. Lawrence Seaway. Am I not correct in that?

Mr. LALONDE: If I may say so—

The CHAIRMAN: Apparently I am wrong.

Mr. LALONDE: The pilots made representations in order to have the same system established up the river as existed from Montreal down.

The CHAIRMAN: When was that?

Mr. LALONDE: Last year. I should say we had been making representations since approximately 1954 or 1955 to that effect.

The CHAIRMAN: It really resulted from the anticipation of the opening of the St. Lawrence Seaway?

Mr. LALONDE: No, sir. It is rather a matter of orderly operation of pilotage in the whole area. Compulsory payment of pilotage dues makes for much better and safer operation of pilotage in any area.

Senator BRUNT: You made these representations from 1954 up until last fall?

Mr. LALONDE: Approximately, yes.

Senator BRUNT: Nothing happened until last fall?

Mr. LALONDE: Nothing happened until last fall.

Senator BRUNT: What happened last fall to have the new regulations brought into effect?

Mr. LALONDE: We made very strong representations to the Department of Transport and to the minister and last year we insisted that compulsory payment of pilotage dues should be established immediately, and the Government finally agreed.

Senator BRUNT: You insisted?

Mr. LALONDE: We did insist.

Senator BRUNT: And if the Government had not done it what would have happened?

Mr. LALONDE: I don't know.

Senator BRUNT: You agree you insisted, so you must have had something to back you up. What would have happened?

Mr. LALONDE: I just cannot say what would have happened but the pilots certainly had been making representations for so long that they might have refused to carry on operating the ships on the river.

Senator BRUNT: You would not like to go just a step further and say there might have been a strike?

Mr. LALONDE: No, there would not have been a strike because technically there cannot be a strike, but there would have been some form of stoppage of work.

Senator BRUNT: There would have been some form of strike. Did the department or others make any representations to you at the time it went along with this? Did it tell you what it was going to do?

Mr. LALONDE: What happened, and I may quote to you a statement the Minister handed to the press at the time—

The CHAIRMAN: When was this?

Mr. LALONDE: On October 13, 1960. The minister handed to the press the following statement, which was the result of the agreement with the pilots on this matter:

Canadian and American lake boats from the outset to be exempted from compulsory payment of pilotage dues when no pilot is employed, until outcome of Canada-U.S. negotiations on Great Lakes pilotage.

You see, representations were made to us to the effect that Canada and the U.S. were in the course of negotiations with respect to the Great Lakes, and to impose compulsory payment of pilotage dues at that time on American ships would have been prejudicial to the negotiations, and the Government could not do it. Our feeling was to say to the Government, "We will not request the American lake boats to pay the pilotage dues immediately so as not to prejudice your negotiations, until you reach the conclusion of your negotiations."

Senator BRUNT: In other words, the Government imposed the payment of pilotage dues and in the same breath they said, "We are going to exempt American ships" and you withdrew your pressure and everything went along fine.

Mr. LALONDE: I would not go to that extent, sir, I am sorry. In my opinion what happened then was that we said that since the Canadian and American Governments were in the course of negotiations we would not insist upon compulsory payment of pilotage dues—

Senator BRUNT: You would not insist on the compulsory payment of—

Mr. LALONDE: Pilotage dues from American lake ships. At that time the minister told us that as the Government was in the course of negotiations he could not give us compulsory payment of pilotage dues unless we were to exempt the American lake ships.

Senator BRUNT: You are not asking the Senate committee to amend the section in any way?

Mr. LALONDE: No, just to repeal it.

Senator BRUNT: I know that we are a rather powerful body, but I think the proper forum to consider it is the other place, where you first dealt with this matter. I do not think it is fair to ask us to repeal this section when we did not sit in on any of the negotiations which took place leading up to its insertion in this bill.

Mr. LALONDE: Well, sir, I am not a member of this house and I have nothing to say.

Senator BRUNT: We are pleased to hear your representations and your point of view, and we are grateful for you coming here and giving it but I do not think you should ask us to change the section in any way in view of the fact that nobody from the Senate sat in on the negotiations which led to the section being put in the legislation.

The CHAIRMAN: I gather that the actual negotiations themselves did not have anything to do with this particular section, Senator Brunt, but the view of the Government was that it should insert this section as a matter of good will and good neighbourly conduct in view of what the Americans have been willing to do in the negotiations with respect to Lake Michigan.

Senator BRUNT: Perhaps Mr. Baldwin could give us a statement on this?

Mr. BALDWIN: Yes. Mr. Lalonde has described the events of last October and November when the pilots demanded the introduction of compulsory dues between Montreal and St. Regis. He has indicated it was his understanding that at that time the pilots had agreed to the exemption of U.S. vessels only during the period of negotiations. I must put on record the fact that our minister indicated in the other place, as I think the term is, that his understanding had been somewhat different. He understood the pilots had agreed to and themselves understood the request for this exemption would be carried forward if the outcome of the U.S. negotiations were such that he, the minister, decided this was necessary. In fact, it was more than a matter of good will to the United States. It arose in the sense that the representations made by the pilots to the minister in October and November demanding compulsory dues between Montreal and St. Regis also reached the headlines of the daily papers, particularly in Montreal, with the implied problem behind it that Senator Brunt has referred to. This most certainly came to the attention, as we know, of the U.S. officials in the Embassy here, and their attention was drawn to the fact that this could involve the collection of compulsory dues from U.S. vessels between Montreal and St. Regis even though they might not be carrying pilots. Our detailed negotiations with the United States for implementing legislation with respect to the Great Lakes had just begun and were carried on during the winter, and they were not concluded until just before the opening of navigation in the spring. Arising out of this situation it was made amply clear to us in the negotiations, in the meetings that took place here and in Washington regularly, that if the governmental action here in introducing compulsory dues between Montreal and St. Regis, which they recognized we had every right to do, should, however, involve in addition the payment of compulsory dues by United States lakers for the first time, since this had never happened to them before, this would have a very prejudicial effect on our whole Great Lakes arrangements with the United States, including the very considerable freedom that has been accorded the Canadian lakers in Lake Michigan. I think this may help to clarify the situation.

Senator SMITH (*Queens-Shelburne*): I do not want to take more than a moment or two, but I think that Mr. Lalonde would feel better if he knew there were some of us here who feel he has every right to come here and ask us to delete any part of the bill. I think our function here is to examine both sides, and it is up to us to make up our own minds without any reference at this time to the merits of this particular section, about which some doubts have arisen. I think we would welcome the opinion of the pilots. I do not want the record to be left unbalanced, so to speak.

Senator BRUNT: In thanking Mr. Lalonde, I should point out that I did not wish to convey the impression that we did not have authority to amend the bill, but I thought it would be unwise for us to exercise it in view of the fact that we did not sit in on any of the negotiations.

Mr. LALONDE: May I say that even in the other place on the committee there were no members sat on the negotiations.

Senator BRUNT: But did they amend it?

Mr. LALONDE: In the house, yes.

Senator BRUNT: No, in the committee?

Mr. LALONDE: No, but they amended in the house.

The CHAIRMAN: Did you have a chance to make representations to the House of Commons committee?

Mr. LALONDE: Yes, sir.

The CHAIRMAN: And they turned you down?

Mr. LALONDE: Partly, because at least in the House of Commons the minister had second thoughts, and made one amendment—agreed to have one made.

Senator BRUNT: What was the minister's stand on the negotiations?

Mr. LALONDE: I couldn't answer that, sir. I would rather let Mr. Baldwin answer that one.

The CHAIRMAN: Are there any further questions of Mr. Lalonde? I think we have the two points of view fairly clearly in our minds, gentlemen, unless any senator has any further questions or comments.

Senator BRUNT: Except that I should like Mr. Lalonde to know that I appreciate his taking time to come here and to present the point of view of the pilots. We were very pleased to get that point of view.

The CHAIRMAN: May I add that you are not alone in that, Senator Brunt.

Senator BRUNT: Thank you.

Mr. LALONDE: Thank you, Mr. Chairman.

The CHAIRMAN: Gentlemen, have we now reached the point where we can go through the bill section by section, and have explanations from Mr. Baldwin, or some of his assistants with respect to the sections as we come to them?

Senator BRUNT: Are there any other contentious sections we want explained?

The CHAIRMAN: We have had no representations with respect to any other sections. I do not know if you were here when we started, Senator Brunt, but I pointed out at the beginning that Mr. O'Brien wished to make a statement in respect to clause 9, which he did, and that representations would be made to us by the Federation of St. Lawrence pilots with respect to clause 15, which was done. Nobody else has asked to be heard in respect of any of the other sections of the bill. Shall we now consider the bill clause by clause?

Section 1, subsection (1), is just a matter of definition, is it not? There is no change in substance is there?

Mr. MACGILLIVRAY: Subsection (1) appeared in Bill S-3, which passed this house in 1959, sir, and it is in here without any change. It is only a definition relating to mortgages on recorded vessels, that is, vessels not yet eligible for registry because they are not yet launched.

The CHAIRMAN: May I draw attention to the fact that two years ago we worked very hard on the Canada shipping bill amendment, which finally did not go through. There are a number of sections of this bill that are repetitious of sections of the bill we considered and adopted in 1959. Perhaps as we come to them I might indicate them to the committee so that we shall know that we considered them and adopted them two years ago.

Subsection (2) of section 1 defines "home-trade voyage". Have you any comment, Mr. Baldwin?

Mr. BALDWIN: It covers Hawaii through the Bering Straits.

The CHAIRMAN: Shall subsection (1) carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall subsection (2) carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Subsection (3) is new, and changes the definition of "inland waters of Canada". What is the effect of that?

Mr. CUMYN: The present Load Lines Rules have a limit similar to the one we propose here, and which takes into the limits of inland waters Havre St. Pierre, which in the present definition set out in the act is excluded from inland waters. The purpose of this section is to bring Havre St. Pierre into inland waters.

The CHAIRMAN: Does subsection (3) of section 1 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Subsection (4) is a definition of "minor waters of Canada". We passed that in 1959. Does the committee wish to discuss it again?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 2, changing section 5, was also passed in 1959. Does the committee wish any further explanation now?

Senator BRUNT: I do not think so.

The CHAIRMAN: Shall section 2 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 3 is the definition of the qualification for owning a British ship. We also passed that in 1959.

Senator SMITH (*Queens-Shelburne*): On this point, I should like to ask Mr. Cumyn what the present position is of a ship belonging to the Republic of South Africa. Is it still a British ship?

Mr. MACGILLIVRAY: Under the laws as they now stand, we do not believe they are British ships. They are similar to ships of the Republic of Ireland at the present time; that is, they are not British ships.

Senator SMITH (*Queens-Shelburne*): But if a ship is owned wholly by someone who is a subject of South Africa or a body corporate doing business in South Africa, they do not get the same treatment as those in the Republic of Ireland?

Mr. MACGILLIVRAY: That is right.

Senator SMITH (*Queens-Shelburne*): Has any consideration been given to recognition of the change in the situation?

Mr. MACGILLIVRAY: The whole matter is under study. As you will probably realize, there are a number of other statutes involved besides this one, and the bill we now have before us had been completely drafted before South Africa announced its intention of withdrawing from the Commonwealth, and it was actually in print and I think had received first reading before the said event took effect, and the Government I do not think has had sufficient time to consider the matter fully.

Senator SMITH (*Queens-Shelburne*): This does not mean that they have been closed out?

Mr. MACGILLIVRAY: No.

The CHAIRMAN: Shall section 3 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 4 is new. What is the effect of section 4?

Mr. MACGILLIVRAY: It merely raises to 20 tons from 15 tons the exemption on registration of pleasure craft.

Senator SMITH (*Queens-Shelburne*): What is the reason back of it?

Mr. MACGILLIVRAY: Mainly in the interest of United States citizens who have pleasure craft that operate in Canadian waters. They may license them under Canadian law but they cannot register them, not being eligible.

The CHAIRMAN: Shall section 4 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 5 deals with the method of mortgaging recorded vessels, and builders' mortgages, and so on. It is a rather technical section. We passed it in 1959. Does the committee wish any further explanation?

Shall section 5 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall section 6 carry? This also was passed in 1959. It deals with fees for inspection and copies of the register book. Was the whole section carried in 1959, Mr. Macgillivray?

Mr. MACGILLIVRAY: I can explain, Mr. Chairman. The clause was carried in the wording that is there now except that we have made a slight change in paragraph (a) of subsection (2) of section 82. As it passed in Bill S-3 it permitted inspection of the register book or record book and this would have allowed inspection of the register book as it relates to any number of ships. We now say it allows inspection of "entries respecting a ship", so you must pay 25 cents for each ship whose register you inspect. Otherwise the section is the same.

The CHAIRMAN: Shall section 6 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 7 is new. What is the purport of that?

Mr. MACGILLIVRAY: This is consequential on the changes contained in clauses 14 and 42 where we propose that the regulations made respecting crew accommodation on board ships shall be taken out of the act and made by order in council. At present they are contained partly in section 234 and partly in the eighth schedule of the act and it is proposed to have them made now by order in council.

The CHAIRMAN: Shall section 7 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 8—surveyor of ships. That simply allows the Minister of Transport to appoint persons outside of Canada to measure ships.

Shall section 8 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 9. This is the section on which Mr. O'Brien spoke a while ago. Does the committee wish to hear any further explanation by departmental officials on section 9?

Shall section 9, subsection (1) carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall subsection (2) of section 9 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: That takes us to page 7, section 10. I am informed this was passed by us in 1959. It deals with different classes of ships and so on. It takes out reference to licensing of ferry steamships. Shall section 10 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 11 is new. It is consequential upon section 9. Shall section 11 carry.

Hon. SENATORS: Carried.

The CHAIRMAN: Section 12 deals with the certificates of temporary engineers. It widens the scope and the ability to grant certificates to temporary engineers. In future these can be granted by steamship inspectors. Shall section 12 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 13 was passed by us in 1959. That section brings in the Republic of Ireland. Shall section 13 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 14 is new. That is the change in section 234 dealing with provisions with respect to accommodation of crews on Canadian vessels, to be covered by order in council in future.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, could Mr. Cumyn explain the background of this?

Mr. CUMYN: Mr. Chairman, we feel that something more than the crew accommodation standards, as presently set out in the act in section 234 and the eighth schedule and which are very limited, may become necessary as we go on with the construction of Canadian ships and I may say we have had some requests from shipbuilders for a further amplification of the crew accommodation standards for new ships, and with this idea in mind we thought it would be better to issue them in the form of regulations which could be changed from time to time as it became necessary through the Governor in Council rather than having to come back to the house. These changes are purely technical and would of course be made in full consultation with the shipbuilders. The regulations that we have in mind for immediate issue are simply those that are presently contained in the act, but we propose to add to them from time to time. We exempt fishing boats completely from these regulations.

Senator PEARSON: Is it necessary when building a Canadian ship to have reference to regulations in existence now?

Mr. CUMYN: Yes, under the act.

Senator PEARSON: That is, so many cubic feet and so forth for crew accommodation?

Mr. CUMYN: Yes. The regulations are limited on this point. They simply set out the volume of space and the floor coverage and that the accommodation shall be properly constructed.

Senator PEARSON: But you cannot build a ship unless you take these regulations into account?

Mr. CUMYN: That is right.

The CHAIRMAN: Shall section 14 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: We now come to contentious section 15. Shall section 15 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 16 deals with penalties. Mr. Macgillivray, have you something to say about changes here?

Mr. MACGILLIVRAY: At the time Part VI A was put into the act and a penalty section was introduced in connection with violations under Part VI A.—that is the Great Lakes pilotage Part—the suggestion was made to the department that we should come forward with an amendment at this time to make the penalty section in Part VI uniform with the one in Part VI A.

The CHAIRMAN: This is just a cleaning up section?

Mr. MACGILLIVRAY: Yes.

The CHAIRMAN: Shall section 16 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 17, appointment of steamship inspectors. Shall section 17 carry?

Hon. SENATOR: Carried.

The CHAIRMAN: Section 18, production of certificate of registry. These are more or less technical verbal changes, are they not?

Mr. MACGILLIVRAY: Yes, it is just that up until now steamship inspectors have always been able to demand the production of the certificate of registry of ship. Now we are getting so many licensed vessels we want them to be able to demand production of licenses.

The CHAIRMAN: Shall section 18 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 19 inspection by exclusive surveyor or other inspector. It seems of minor importance, does it not? Shall section 19 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 20. This is not of great importance, is it?

Senator SMITH (*Queens-Shelburne*): What is the reason for this? Can you state it briefly?

Mr. BALDWIN: This, really, is part of our gradual education campaign, if you like, followed by instruction if necessary, to try to improve safety standards in the small pleasure boat area.

The CHAIRMAN: Shall section 20 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 21. Shall section 21 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 22. This is the section concerning rescue co-ordinators, which Senator Blois explained in the house.

Senator SMITH (*Queens-Shelburne*): Could we have just a word on that?

Mr. BALDWIN: Yes, sir. As part of our expanding Canadian marine service work we have been trying to improve the organization we have for marine search and rescue. Last year we took steps to appoint what are known as marine search and rescue co-ordinators, one on the east coast, one on the west coast and one in the Great Lakes area, whose primary purpose is not to run the search and rescue operations, but to improve the whole planning procedures to be applied in those operations. These officials are now at work and have made considerable progress, but one of the points that have come to light is that while we do have adequate powers under this act on the high seas with regard to the ordering of vessels in marine search and rescue operations, we did not have complete enough powers in that regard for the purpose of marine search and rescue co-ordinators. This will strengthen their hand in enabling them to deal with those operations, or to have the power or direction of ships in connection with marine search and rescue operations.

Senator SMITH (*Queens-Shelburne*): We already have these rescue co-ordinators appointed? This is not a new office?

Mr. BALDWIN: There is no new organization. This is to improve an existing organization and to give it adequate powers in the ordering of ships in search and rescue activities.

Senator SMITH (*Queens-Shelburne*): Up to the point at which this bill was introduced these people had not been operating with any particular powers of any kind? This is empowering the minister to designate these persons to be known as the rescue co-ordinators?

Mr. BALDWIN: This is intended to cover the situation where in a given operation our principle marine co-ordinator on the west coast may not be directly concerned with running that operation, but the minister, through him, may designate someone else for the purpose of running a particular search and rescue operation.

Senator SMITH (*Queens-Shelburne*): How many do you have now?

Mr. BALDWIN: Only the three so far in each of those areas, but this organization is expanding, and on the west coast we are in the process of selecting an assistant already.

Senator SMITH (*Queens-Shelburne*): Who are these people, members of the department?

Mr. BALDWIN: They were selected by civil service open competition. My recollection is that each one of them holds a master's ticket as a marine captain.

Senator SMITH (*Queens-Shelburne*): Could you give me the name of the man on the east coast?

Mr. BALDWIN: Captain Stanton.

Senator SMITH (*Queens-Shelburne*): Do you know his qualifications?

Mr. BALDWIN: Perhaps Captain Slocombe could answer that question.

Captain SLOCOMBE: I cannot give his qualifications in detail, but he is a deep sea master mariner of long experience, and has a lot of experience in this field. He was concerned with search and rescue operations when he was in the air force during the war. He has a very full knowledge of the coast.

Senator SMITH (*Queens-Shelburne*): Was he in the R.C.A.F.?

Captain SLOCOMBE: He was with the R.C.A.F. or R.A.F. during the war, and the Department of Transport after the war.

Senator SMITH (*Queens-Shelburne*): There was some doubt in my mind in the early stages of the consideration of this particular clause, as to the need for powers to order someone at sea to help someone else. It seemed offensive on first glancing at the thing. Had you had some experience in past operations that required this power?

Mr. MACGILLIVRAY: If I might answer that question, the act already gives the master of a vessel in distress the power to order other vessels to his assistance, and he may requisition them under section 457 that is already in the act, and they are under legal duty to go to his aid.

However, we had an unfortunate occasion on the Pacific coast a little over a year ago when a vessel got into trouble and was upside down in the water, and the master was inside the hull and was not able to order vessels to his assistance. But they did come to his assistance, although there was no one with power to organize the search and rescue operation in the way the master could have had he been available. That is one instance of where this provision can be of use.

Senator SMITH (*Queens-Shelburne*): There is one other question, and that is this: will the actual search and rescue operations be carried out by the same organization as we have had over the years—with the R.C.A.F. communications centre in Halifax under their supervision, and so on? Did Mr. Baldwin say that Captain Stanton would not himself have any personal power in the individual search?

Mr. BALDWIN: He may or may not. He is seconded to work with the R.C.A.F. search operations, but they have devolved most of the responsibility on him. The ultimate plan would be to have someone, whether Captain Stanton or someone else experienced in this work, in almost any area where an accident might occur, who could take charge of the co-ordinating on short notice request.

The CHAIRMAN: Shall section 22 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 23. That explains the power of the Governor in Council to make regulations with respect to various precautions in the loading and unloading of vessels. Is any explanation of that required? Shall section 23 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 24, boilers on dredges, etc., subject to inspection, and dredges, etc., to carry life saving, and fire extinguishing equipment. Is any explanation required on that?

Senator BRUNT: I think it is purely technical and we have to accept that it is proper it should be amended in this way.

The CHAIRMAN: Shall section 24 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 25, regulations affecting pleasure yachts. What is the change there, Mr. Cumyn?

Mr. CUMYN: Sir, this empowers us to require small boats to carry plates carrying recommended limits with respect to safe power and loads. We have for the past few years been recommending they carry these plates, and the whole scheme has been very successful; but it has been hindered to some extent by the fact that many people in Canada import their small boats from the United States, and the American boats carry plates with limits which are much more generous than the Canadian limits, so we want to be able to require that all boats in Canada carry Department of Transport plates.

The CHAIRMAN: If I remember rightly you, Mr. Cumyn, or somebody, told us in 1959 that you were gradually trying to bring pleasure yachts under the regulations for safety purposes.

Mr. CUMYN: Yes.

The CHAIRMAN: I take it this is a further step in that process?

Mr. CUMYN: Yes.

The CHAIRMAN: Shall section 25 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 26 limits inspection to cases where boilers operate at a pressure in excess of 15 pounds per square inch. Shall section 26 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 27 provides for the payment of fines to local authorities which bore the expense of the prosecution. Shall section 27 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 28 simply changes the heading preceding section 495A. Shall section 28 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 29 would add a new section authorizing the Governor in Council to make regulations preventing the pollution of the air, etc. Shall section 29 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 30 would add a new section 616B, covering the appointment of persons to act as wardens at ports not designated by the Governor in Council. I recall the discussion on that matter when it was before us in 1959. Shall section 30 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 31 would widen the definition of a person in charge of a vessel. That also was dealt with in 1959. Shall section 31 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 32 is rather lengthy, and is designed to give limitation to the liability of owners of seagoing ships. This is the section that makes mention of "gold francs". Would some official of the department care to tell us what is a gold franc?

Mr. MACGILLIVRAY: Mr. Chairman, you will note firstly that the section provides that the owner's liability is limited to a certain amount, as it now

appears in the act. It is now proposed that it will be limited to a certain amount equivalent to 3,100 gold francs and 1,000 gold francs per ton, respectively. The owners will not be expected to pay in gold francs, but they will pay the equivalent in Canadian dollars.

The purpose of this proposal is to achieve uniformity throughout the world in the amounts of limitations. Our present limitation figure, expressed in dollars, is \$38.92, which has been in our legislation since 1880. It was put in at that time as the equivalent of £7 sterling. The British figure during these years has stayed at £7 sterling, until a couple of years ago when they brought in a new figure. So if an action was brought in England one would recover £7, and if brought in Canada the recoverable amount was \$38.92. In real value the difference between the recoverable amounts was considerable, almost 100 per cent. As I say, the purpose in using the gold franc is to achieve uniformity. It is not new in Canadian legislation. We have it already in the Foreign Aircraft Third Party Damage Act and also in the Carriage by Air Act.

Senator BRUNT: Do all countries now use the gold franc as the measure?

Mr. MACGILLIVRAY: All countries which adhere to these conventions I am speaking of use a figure of their own currency equivalent to this number of francs.

The CHAIRMAN: Shall section 32 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 33—power of court to consolidate claims. That is a legal section.

Mr. MACGILLIVRAY: It is a minor consequential amendment, inserting a few words, and relates to the liability referred to in section 657.

The CHAIRMAN: Shall section 33 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 34—extension of limitation of liability. What is the purpose and object of that section, Mr. Macgillivray?

Mr. MACGILLIVRAY: This to a certain extent is a drafting amendment, in that we are expressing in paragraphs (a), (b) and (c), of the section, what is already in subsection 2 of section 657 and in 661. But in the subsequent words to paragraph (c) we are introducing a new feature.

We have had representations from the Canadian Bar Association, the Canadian Maritime Law Association, and very strong representations from the Merchant Service Guild, which is an organization of ships officers, to include this feature. It applies to instances in which the master is sued, in which cases his liability will be limited in the same way as is that of the owner.

It has been found on the Pacific coast that the smaller vessels, particularly tugs, do damage, and the masters themselves are sued because they have no limit of liability, whereas the owners, being subject to a very low limitation figure, are not sued.

This amendment is to extend to the master the limitation of liability while he is acting in the capacity of master. If it happens that he is also the owner, and is negligent as owner, the limit does not apply. The whole theory of limitation up to this time has been that owners had their liability limited where it was a vicarious liability, for the acts of their servants. So that the master, when he falls into both categories, will still be liable if he is personally at fault in his capacity as owner; but if in his capacity as master, he falls into the same category as do other masters.

The CHAIRMAN: If the Canadian Bar Association has asked for this amendment, that is probably a good reason why we should pass it. Shall section 34 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 35—limitation of liability of dock, canal and harbour owners or conservators. This is another instance in which the 1,000 gold franc provision appears. Is this also a limitation, Mr. Macgillivray?

Mr. MACGILLIVRAY: Yes. Dock owners, wharf owners and canal owners, etc. have a similar limitation privilege as do owners of ships. The only change is that we are carrying into this section the figure of 1,000 gold francs instead of \$38.92.

The CHAIRMAN: I am interested to see from the note that it does increase the liability from \$32.92 per ton to \$65. per ton.

Mr. MACGILLIVRAY: That was part of the purpose of the international convention, to bring the limit up and make for uniformity.

The CHAIRMAN: Shall section 35 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall section 36 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 37—not to include space occupied by seamen; ship incapable of Canadian measurement. This applies to foreign ships only, does it?

Mr. MACGILLIVRAY: These are merely drafting points, sir. The amendment in subsection 2 of the section is simply to take account of the earlier amendment to clause 14 relating to crew space which is exempt from tonnage measurement for this purpose. The amendment below, referring to sections 657 and 660, is merely a matter of drafting.

The CHAIRMAN: Shall section 37 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 38 was passed in 1959 and provides for appeal from a conviction. Shall section 38 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 39 was also passed in 1959 and it is with respect to certified copies of documents being admissible. Shall section 39 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 40 was also passed in 1959, and is with regard to the application of penalties. Is there anything important about that, Mr. Macgillivray?

Mr. MACGILLIVRAY: This provides that where a provincial or municipal police force conducts the prosecution under our small vessel regulations the municipality or the province can take the fines. This is to encourage the local police forces to take part in the enforcement of our regulations.

The CHAIRMAN: Shall section 40 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 41 repeals the Eighth Schedule, and that is in connection with accommodation for seamen and so on on ships. You are going to do that henceforth by regulation?

Mr. MACGILLIVRAY: Yes.

The CHAIRMAN: Shall section 41 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall the preamble carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall the title carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall I report the bill without amendment?

Hon. SENATORS: Agreed.

The CHAIRMAN: In behalf of the committee I must express our thanks to Mr. Baldwin and his extremely efficient officials who have attended this meeting today, and who have helped us so much in the past in regard to measures of this kind. We also thank Mr. Lalonde and those who have appeared with him.

The committee adjourned.



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill C-33, intituled:

An Act to amend the Transport Act.

The Honourable A. K. HUGESSEN,

Chairman.

No. 1

TUESDAY, June 27, 1961.

WITNESSES:

Mr. J. F. Browne, M.P. (Vancouver-Kingsway); Mr. F. R. Hume, Q.C., Counsel for the Canadian Trucking Associations; Mr. J. A. D. MacGee, Executive Secretary, Canadian Trucking Associations; Mr. J. J. Frawley, Q.C., Ottawa representative of the Government of Alberta; Mr. W. R. Jackett, Q.C., Counsel for the Railway Association of Canada.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

*Aseltine	Gladstone	Molson
Baird	Gouin	Monette
Beaubien (<i>Provencher</i>)	Grant	Paterson
Bishop	Haig	Pearson
Blois	Hardy	Power
Bouffard	Hayden	Quinn
Bradley	Horner	Raymond
Brunt	Hugessen	Reid
Buchanan	Isnor	Robertson
Campbell	Jodoin	Roebuck
Connolly (<i>Ottawa West</i>)	Kinley	Smith (<i>Kamloops</i>)
Connolly (<i>Halifax North</i>)	Lambert	Smith (<i>Queens-</i> <i>Shelburne</i>)
Courtemanche	Lefrançois	Stambaugh
Dessureault	*Macdonald (<i>Brantford</i>)	Veniot
Emerson	McGrand	Vien
Euler	McKeen	Woodrow—50.
Farris	McLean	
Gershaw	Méthot	

50 members

(Quorum 9)

* *Ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate, Friday, June 16, 1961.

“Pursuant to the Order of the Day, the Honourable Senator Buchanan moved, seconded by the Honourable Senator Pearson, that the Bill C-33, intituled: “An Act to amend the Transport Act”, be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Buchanan moved, seconded by the Honourable Senator Haig, P.C., that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative.”

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, June 27, 1961.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 2.00 p.m.

Present: The Honourable Senators: Hugessen, *Chairman*; Beaubien (*Provencher*), Blois, Brunt, Buchanan, Connolly (*Ottawa West*), Dessureault, Euler, Gershaw, Gladstone, Gouin, Hayden, Horner, Kinley, Lefrançois, McGrand, Pearson, Roebuck, Smith (*Queens-Shelburne*) Smith (*Kamloops*), Stambaugh, Veniot and Woodrow—23.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel. Official Reporters of the Senate.

Bill C-33, An Act to amend the Transport Act, was considered.

On Motion of the Honourable Senator Connolly (*Ottawa West*), seconded by the Honourable Senator Brunt, it was RESOLVED to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Heard in explanation of the Bill were: Mr. J. F. Browne, M.P., (*Vancouver-Kingsway*); Mr. F. R. Hume, Q.C., Counsel for the Canadian Trucking Associations; Mr. J. A. D. MacGee, Executive Secretary of the Canadian Trucking Associations.

At 3.00 p.m. the Committee adjourned.

At 3.45 p.m. the Committee resumed.

Present: The Honourable Senators: Hugessen, *Chairman*; Beaubien (*Provencher*), Blois, Brunt, Buchanan, Dessureault, Euler, Gershaw, Gladstone, Gouin, Haig, Hayden, Horner, Kinley, Lambert, Lefrançois, Macdonald (*Cape Breton*), McLean, Pearson, Robertson, Roebuck, Smith (*Queens-Shelburne*), Smith (*Kamloops*), Stambaugh and Woodrow—25.

Further heard on the Bill were: Mr. F. R. Hume, Q.C., Counsel for the Canadian Trucking Associations; Mr. J. A. MacGee, Executive Secretary of the Canadian Trucking Associations; Mr. J. J. Frawley, Q.C., Ottawa representative of the Government of Alberta.

Heard in opposition of the Bill: Mr. W. R. Jackett, Counsel for the Railway Association of Canada.

On Motion of the Honourable Senator Pearson to report the said Bill the Committee divided as follows: YEAS—6; NAYS—8.

The Motion was declared passed in the negative.

On Motion of the Honourable Senator Beaubien (*Provencher*) it was RESOLVED to defer the consideration of the said Bill at a later date, on division.

At 5.30 p.m. the Committee adjourned to Thursday, June 29, 1961, at 10.00 a.m. for the consideration of other bills.

Attest.

Gerard Lemire,
Clerk of the Committee.

THE SENATE

THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, Tuesday, June 27, 1961.

The Standing Committee on Transport and Communications, to whom was referred Bill C-33, an act to amend the Transport Act, met this day at 2 p.m.

Hon. A. K. HUGESSEN in the Chair.

On motion duly moved and seconded, it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On motion duly moved and seconded, it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, before indicating to you the witnesses who will appear in connection with this bill, of whom there are quite a number, I should perhaps direct the attention of the committee to two things. First, the explanatory note to the bill as it appeared before the house, was incorrect. The explanatory note to the bill says that the only change in subsection 1 of section 33 is the underlined words in paragraph (c) of that section. That is not in fact so. If you look down at line 16 you will see there are some additional words added. If I am correct, they are "or a motor vehicle operator". Those words have been inserted in the proposed amendment.

Senator BUCHANAN: Mr. Chairman, may I say that in explaining the bill in the Senate I spotted that point, and instead of giving only the explanatory note, I repeated the whole section as it will read when amended. So no wrong information was given at that time.

The CHAIRMAN: I am glad you did that, because we do not like to have an inaccurate explanatory note submitted to us.

Senator BUCHANAN: For that reason I did not use the explanatory note.

The CHAIRMAN: My second observation is that this bill originated in the House of Commons as a private member's bill, and as honourable senators are aware, we are always careful in dealing with public bills of this kind to see that they are put in the best form possible.

I consulted with our Law Clerk and asked him for his views on the form of the bill as submitted to us. He reached the conclusion that it certainly was not in the best and most compact form, as it ought to be, and I rather agreed with him. He has prepared a suggested re-draft of the bill which basically strikes out paragraph (c) of section 33(1), namely, the underlined words, and adds in paragraph (a) these words: "by road." Paragraph (a) would then read:

(a) any carrier, or association of carriers, by water or road or rail,

That would apparently achieve precisely what proponents of the bill require.

I do not know that we need to discuss this proposed amendment at the moment, because our primary concern is to decide whether or not we favour the principle of the bill. I suggest, therefore, that we proceed to hear the

witnesses until the committee has reached its decision as to the principle of the bill. If we approve it we can then consider what amendments as to draftsmanship would appeal to the committee.

Senator ROEBUCK: Mr. Chairman, you have gone into this subject very carefully, I can see. In the house I asked a question, which I would like to have made clear here, as to why we need a bill of this kind at all. Cannot any person complain to the minister that any railway charge is discriminatory against him, and cannot the minister in any case have anyone refer a complaint to be investigated by the Board of Transport Commissioners? Is not this matter wide open for anyone to complain? If it is not, is everyone prohibited from complaining, and is the minister prohibited from doing anything about a complaint unless the complainant happens to be in one of these classifications?

The CHAIRMAN: I think the basis of the bill is that at the present time under section 33, which deals with agreed charges, the only person who can complain about any specific agreed charge is a carrier or an association of carriers by water or rail, which would prohibit road carriers from complaining.

Senator ROEBUCK: If we struck out the whole bill, we would have a better situation than we would have with it. Anybody should be able to complain to the minister.

The CHAIRMAN: I think that matter will be developed as the evidence is brought out, Senator Roebuck.

We have a number of witnesses who are ready to appear before us. They are: the sponsor of the bill, John F. Browne, M.P., Vancouver-Kingsway; J. A. D. MacGee, Executive Secretary, Canadian Trucking Associations; F. S. Burbridge, Railway Association of Canada; J. J. Frawley, Q.C., Ottawa Representative, Government of Alberta; F. R. Hume, Q.C., Counsel, Canadian Trucking Associations; W. S. Jackett, Q.C., Railway Association of Canada; and F. N. McCallum, Past President, Canadian Trucking Associations. Well, that is a number of witnesses. Probably the best thing to do would be to ask Mr. Browne, M.P., who was sponsor of the bill in the House of Commons, how he would like to have his case presented and by what witnesses.

Mr. John F. Browne, M.P.: Mr. Chairman and honourable members of the committee, I do not know what the committee would want me to say.

The CHAIRMAN: We are glad to hear you.

Mr. BROWNE: Then, Mr. Chairman, if I might make a few introductory remarks.

The CHAIRMAN: I was not trying to exclude you from addressing the committee. I just wanted to know how you wanted your case presented.

Mr. BROWNE: Mr. Chairman, there are two other witnesses who are here, Mr. MacGee, Executive Secretary of the Canadian Trucking Associations and Mr. J. J. Frawley, Q.C., counsel for the province of Alberta. Both are here to support the bill. I can assure you I have no intention to take up the time of the committee unnecessarily but there are one or two comments I want to make. The motor vehicle operators do not have at the present time the right to appeal to the Board of Transport Commissioners in connection with agreed charges, and yet, when a railway enters into an agreement with a shipper on an agreed charges basis to take 100 per cent of his traffic it has the effect of eliminating large segments of the trucking industry. You will appreciate that agreed charges do not have to be compensatory to the railway, and there is nothing in the act that they have to be so. I think that is a very extraordinary power and that therefore the trucking people should have the right to appeal when they are adversely affected by an arrangement as extraordinary as is an agreed charges arrangement.

As for the form of the amendment as I have drawn it, there is a matter I wish to put forward and that is that the trucking industry has never been recognized in any of our federal legislation to date, and it is my view that they should be as they are today a large segment of our transportation industry. That is why I drafted the bill as it is, referring to motor vehicle operators. So, in the discussion as to the form of the bill perhaps that could be taken into consideration.

In so far as the explanatory notes are concerned, inadvertently two or three of the words were not underlined but I would point out that the explanatory notes do make clear that it is the purpose of this amendment to provide the right of appeal to motor vehicle operators. The trucking associations have prepared a brief in this matter. I have discussed the matter with the officials of the Department of Transport who are in agreement with the amendment. The officials of that Department have been concerned with the act for a good many years and were responsible for drafting the amendments in 1955, and they felt that with the growth of agreed charges arrangements that the trucking industry should now have the right to appeal.

Senator CONNOLLY (*Ottawa West*): Will they appear here?

Mr. BROWNE: I do not think it is their intention to appear. I have heard some rumours that as a private member of Parliament I put this amendment forward as a member of the trucking industry. I might say I was associated with a trucking firm and held office in the trucking associations. However, before this bill was presented and passed I gave up my interest in any trucking industry. I am not associated with any trucking association or organization at the present time. I just wanted to bring that point to your attention.

I would be pleased to answer any questions that you may desire to direct to me. However, I feel that with the briefs that will be presented to you the case should be very completely covered.

The CHAIRMAN: Any questions of Mr. Browne?

Senator ROEBUCK: Let us hear the briefs.

The CHAIRMAN: I think we should probably hear first the two witnesses who have to leave Ottawa tonight. Mr. MacGee, will you come forward please.

I understand that Mr. Hume, who is counsel for the Canadian Trucking Associations wishes to make a few remarks before we hear from Mr. MacGee.

F. R. Hume, Q.C., Counsel for Canadian Trucking Associations:

Mr. Chairman, I am here as counsel for the Canadian Trucking Associations. I would like to say as a preliminary statement to the committee, before Mr. MacGee reads his brief submission, to draw to your attention and through you to your committee that the amendment suggested by your Law Clerk, if I understood him correctly, would extend the purpose of this amendment beyond the actual amendment as it was passed in the House of Commons because if the committee will notice that under Section 33 subsection (c), which is underlined, it is the association not the carrier, that may appeal to the minister, whereas the amendment suggested by your Law Clerk would add, under subsection (c), words to include the carrier. The amendment as I have understood Bill C-33 would actually give the motor vehicle association the right to complain. Presumably the association would have some effect upon screening possible matters and that the individual carriers would not have that right. I only say that in passing.

Senator ROEBUCK: Is there any objection to the carriers having the right to complain if they have a complaint in their system?

Mr. HUME: No. I was merely pointing out what I see as the effect of the suggested amendment.

Senator ROEBUCK: But you do not object to it?

Mr. HUME: No, sir.

The CHAIRMAN: Thank you, Mr. Hume. We will now hear from Mr. MacGee.

Senator ROEBUCK: What is the Canadian Trucking Associations?

Mr. John MacGee, Executive Secretary, Canadian Trucking Associations, Incorporated: Mr. Chairman and honourable members of the committee, the Canadian Trucking Associations is a national federation of all the provincial trucking associations in Canada. The names of those member provincial trucking associations which we are nationally as a federation are listed on the first page of the submission.

Senator ROEBUCK: How many members have you?

Mr. MACGEE: Our members are the trucking companies of Canada, and they number 6,000 trucking firms throughout the country.

Senator ROEBUCK: That would be a fairly large accumulation of capital, would it not?

Mr. MACGEE: Yes, it would be.

Senator ROEBUCK: You have not the figure, but it is a very large turnover?

Mr. MACGEE: Of operators?

Senator ROEBUCK: No, not in that sense; I mean the amount of business which you transact must be very large.

Mr. MACGEE: Yes, that is quite right.

Senator ROEBUCK: Have you any figures along those lines?

Mr. MACGEE: Yes, our gross revenues in 1958, according to the Dominion Bureau of Statistics, ran around \$480 million.

I did not mean to evade your question about turnovers, but business has not been too good lately in the transport industry, and the turnover of firms is something in the mind of the associations' officials just now.

Senator ROEBUCK: Very well, thank you.

Mr. MACGEE: Canadian Trucking Associations appreciates the privilege of making a brief statement to the Committee in support of Bill C-33. It is most gratifying to the trucking industry that this Bill received the support of all parties in the House of Commons.

The Royal Commission on Transportation headed by the Honourable Mr. Justice Turgeon, which reported in 1951, referred at page 95 to the "extraordinary power" that the Transport Act, as it then stood, gave to the railways in respect to agreed charges. It referred also to the fact that this extraordinary power is one "which has not been accorded to the railways in the United States".

The amendments passed by Parliament in 1955, following upon further inquiry by the Honourable Mr. Justice Turgeon as a Royal Commissioner on Agreed Charges, virtually set the railways free in respect to agreed charge rate-making. In consequence, the number of agreed charges has increased tremendously and agreed charge revenues now account for a substantial part of railway revenues.

Senator ROEBUCK: Of course, you enjoy the same privilege: you can enter into agreed charges, can you not?

Mr. MACGEE: That is correct, sir, we can enter into contracts.

The trucking industry, as a competitor of the railways, quite naturally takes the position that the railways should be able to meet the price competition of truckers just as truckers have the ability to meet price competition of the railways.

In our support of the Bill before the Committee, we are simply supporting what we believe to be a necessary safeguard for the preservation of competition.

It is true that the trucking industry is now a large industry even in comparison with the railways. However, as the members of this Committee are aware, the composition of the trucking industry is quite different. Canadian Trucking Associations, which is a federation of all of the provincial trucking associations in Canada, speaks for 6,000 trucking firms, ranging from the smallest to the largest in Canada. The effect of an agreed charge on any trucking firm, particularly the medium-sized and smaller firms, can be quite devastating. Such firms can, in fact, be put completely out of business by agreed charges, as has happened.

We are the first to agree that if an agreed charge is properly founded on cost, and is compensatory to the railway, the loss of business to the trucking industry must be considered, under normal circumstances, to be the consequence of competitive enterprise. It is thus a condition which, whether the trucking company is able to survive or not, has to be accepted as one of the risks of competitive enterprise.

The railways insist, of course, that all agreed charges are compensatory and that they never make an agreed charge on which they lose money. Again the members of this Committee are as familiar as any representative of the trucking industry with the fact that cost estimates can be made to include or exclude many things. Without in any way questioning the good faith of the railways, we in the trucking industry can only agree that all agreed charges are compensatory to the railways according to the way the railways figure the compensatory aspect. But the railway way of figuring the compensatory aspect may not necessarily be the only way, nor even the generally accepted way; it may not correspond with the position that would be taken by the Board of Transport Commissioners as to what constitutes a compensatory rate.

We believe that there should be some provision to enable an appeal if a rate is not compensatory and causes unjust discrimination against a competing carrier. Section 33 of the Transport Act as amended in 1955 recognizes this principle. The 1955 amendment, however, excludes the motor vehicle operator from the class of competing carriers by reason of the definition of "carrier" in the Act. If what the railways are doing is right they need have no fear of the extension of this right of appeal to motor vehicle operators.

It must be remembered that Bill C-33 does not give the trucking industry direct access to the Board of Transport Commissioners. Standing between the industry and the Board will be the Minister of Transport. The Minister of Transport is well equipped to weigh an appeal before deciding if he is justified in passing it on to the Board of Transport Commissioners; his advisers—some of whom are here today—include highly competent transportation economists. We mention this to dispose of the point that a right of appeal given to the trucking industry would produce a deluge of frivolous appeals in an attempt to snarl up the railways' agreed charge rate-making process. The Department of Transport is certainly qualified to distinguish between a frivolous and a responsible appeal. Canadian Trucking Associations is always concerned about responsibility as opposed to frivolity in the approach to Government. The average 'for hire' truck operator is a responsible individual. It stands to reason that an industry such as trucking did not grow to its present size or stature by doing silly things. Government leaders in the two major political parties that have held power in Canada since the birth and development of the trucking industry have commented on more than one occasion on the sense of responsibility of the industry. If we are concerned about irresponsibility and frivolity in dealing with transportation matters, we can find it in the claim

that legislation that permits the right of appeal and hearing for the trucking industry would immediately produce a deluge of irresponsible actions by the industry.

When we go into the question of that, under normal circumstances, is a truly compensatory railway, rate, one must surely agree that, in today's competitive transportation environment, normal circumstances do not prevail in Canada.

We do not intend to take the time of the Committee today by attempting to argue the subsidy issue. Having read in the newspapers recently that many Members of Parliament were saying privately that there was no form of transportation in Canada that was not subsidized, Canadian Trucking Associations, took the position before the Standing Committee on Railways, Canals and Telegraph Lines on May 22, 1961—and we would like to re-state our position today—that we are paying a full and fair share for the use of the highways and that we are prepared, at any time, to assist in developing all of the relevant facts before any inquiry conducted into this matter by Parliament or any body established by Parliament.

With the new \$50 million subsidy for the railways now before Parliament in Supplementary Estimates, we are faced with the fact that the Canadian railways, this year, will receive \$91,500,000 in subsidies from the federal Government—and that figure does not include the annual deficit of the Canadian National Railways. The \$91,500,000 in subsidies is made up of approximately \$14,500,000 in the Maritime Freight Rates subsidy; \$7,000,000 in the East-West bridge subsidy; \$20,000,000 in the Freight Rates Reduction Act; and now another \$50,000,000 that we find in the Supplementary Estimates.

The Canadian trucking industry believes that it is a matter of simple justice and fair play to incorporate in the Statutes of Canada a safeguard against possible misuse of the railways' pricing weapons against their truck competitors. We contend that subsidization from the public treasury of \$91,500,000 in a single year—the existing subsidies with new, massive subsidization piled on top of them—undercores the necessity of the appeal procedures as no other fact can do. Surely it is little enough to say to the trucking industry, if it has strong grounds for believing that an agreed charge has been set below cost or with the deliberate intent of eliminating competition, that the industry shall have the right to go to the responsible Minister of the Crown and lay its case before him.

Competing carriers—excluding the trucking industry—now have the right of appeal to the Minister under Section 33 of the Transport Act. The trucking industry is excluded because of the definition of "carrier" in Section 2 (1) (c) of the Act. We submit that this definition was placed in the Transport Act at a time when Parliament did not exercise any jurisdiction over segments of the trucking industry. Now, however, Parliament regulates and controls international and interprovincial trucking under the Motor Vehicle Transport Act. The proposed amendment will have the effect of including motor vehicle operators within the framework of Section 33 without requiring an amendment of the definition section.

All of which is respectfully submitted, Mr. Chairman.

The CHAIRMAN: Thank you, Mr. MacGee. Have honourable senators any questions to ask Mr. MacGee?

Senator ROEBUCK: I would like Mr. MacGee to elaborate on his statement about the trucking industry paying its way. Those are not exactly the words you used, but that is the substance of them.

Senator KINLEY: You use the roads.

Mr. MACGEE: Yes, we use the roads, just as aeroplanes use the airports, and boats use the waters and harbour facilities, and we pay heavily for the use

of those roads. We pay more than the private motorist, and with that we quite agree. We make use of the roads for commercial purposes, whereas the private motorist does not. However, I think that if all the truckers were removed from the highways and there was left only the private motorist, the private motorist would soon wish that the truckers were back paying their share of the taxes. If we were not paying the taxes we are the private motorist would be paying more. It has been noticed recently with the advent of piggy-back that our trailers are disappearing from the roads and are now appearing in large numbers on the flat cars of the railways which are providing us with some excellent piggy-back services between certain cities of Canada. The provincial authorities are becoming quite concerned at our disappearance from the highways, and the fact that we are now moving by rail on some hauls, because they are losing the gas tax as a result of that, and they are losing the taxation which was paid by the trucking companies in respect of some of this equipment which is now moving by piggy-back.

Senator BEAUBIEN: May I ask the witness a question? Has the Board of Transport Commissioners any say in regulating your business?

Mr. MACGEE: No, sir, they have no jurisdiction over the trucking industry under either the Railway Act or the Transportation Act as they now stand.

Senator BEAUBIEN: If this bill passes the Minister of Transport, if he thinks the complaint is justified, can refer it to the Board of Transport Commissioners?

Mr. MACGEE: That is correct, sir.

Senator BEAUBIEN: And you would then come under the Board of Transport Commissioners?

Mr. MACGEE: Only as an element in the appeal, sir; not for the purpose of regulation by the board. Parliament has decided that it will exercise its jurisdiction over interprovincial and international trucking by the federal Motor Vehicle Transport Act which, in fact, creates the provincial regulatory boards as the federal agencies of control. That is the present system of control that is operating. We are not entirely satisfied with the way it is working, and we have made some representations to the Royal Commission on Transportation in an endeavour to bring about some recommendation for improvement.

Senator BEAUBIEN: With respect to agreed charges which you have mentioned, you also have agreed charges?

Mr. MACGEE: Yes, that is correct.

Senator BEAUBIEN: Who regulates those agreed charges? Who would you want to regulate them—the Board of Transport Commissioners?

Mr. MACGEE: No, we prefer to have the control vested in the provincial boards, even for extra-provincial trucking, but under the new federal act, which will be a much more comprehensive statute than the Motor Vehicle Transport Act, and which would join the provincial boards together when they are dealing with extra-provincial trucking matters, or applications for entry into the trucking field, or the control of rates, as one joint board sitting to hear those matters. That was embodied in our submission to the Royal Commission on Transportation. It has not been dealt with in Volume 1 of the commission's report, but we are hoping to see something about it in Volume 2.

Senator ROEBUCK: Why not have the Board of Transport Commissioners perform that function?

Mr. MACGEE: Well, sir, the trucking industry traditionally has always been—I suppose I had better put it in the way the industry feels about it—fearful

of direct federal control of the industry. I think that comes about by reason of the fact that the largest railway system on the North American continent is owned by the Government of Canada. There have been fears within the industry in many parts of Canada that if, not necessarily the Board of Transport Commissioners but a federal body located in Ottawa, regulated us we might not be regulated impartially. Some people in the trucking industry do not agree with that, but that is the majority view.

Senator EULER: Would you enlarge on that a bit? Who rules on agreed charges?

Mr. MACGEE: That would be up to the Board of Transport Commissioners.

Senator EULER: On what basis do they decide—profit?

Mr. MACGEE: No, sir. The chief commissioner is here today, and I think he is much more qualified than I to deal with this.

Senator EULER: Do they deal with these rates always on the basis of profit?

Mr. MACGEE: The railways contend that the agreed charges are always compensatory to them.

Senator EULER: To the railways?

Mr. MACGEE: Under the act as it is at the present time the Board of Transport Commissioners could receive a thousand agreed charges that were not compensatory and do nothing about it.

Senator EULER: By compensatory you mean they can make a profit under these regulations?

Mr. MACGEE: That is right, sir. I say that under the act as it reads now the railways could file 1,000 agreed charges with the Board of Transport Commissioners which were not compensatory, and the board could not do anything about it because the act, as it was amended in 1955, does not permit the board to act unless it receives a complaint from the Minister of Transport or from the Governor in Council.

Senator EULER: You say that is unfair to the trucking industry?

Mr. MACGEE: That is right, sir. First of all, I think we can agree with the railways that a number of their agreed charges are compensatory. We say that if they are so disposed in the heat of the competitive battle to put in non-compensatory agreed charges, there should be this safeguard, which is embodied in bill C-33, to give us at least a right of appeal to the minister. He and his officials would still have to decide whether we had made out a responsible enough case to send it to the Board of Transport Commissioners for investigation.

Senator BRUNT: Cannot the carriers object right now?

Mr. MACGEE: Yes, they can, sir. Mr. Browne, I understand, has confined the appeal to associations, either provincial or national, or any body representing truck operators. So they do not have to be members of our group to make an appeal, in order to deal with the question that has been raised in the past about a deluge of appeals that might come from the trucking industry if we had any right of appeal.

Senator BRUNT: When the trucking industry sets up an agreed charge who can complain about that?

Mr. MACGEE: The railways may complain, sir, in the four provinces where truck rates are regulated: Quebec, Manitoba, Saskatchewan and British Columbia.

Senator BRUNT: What about Ontario?

Mr. MACGEE: They cannot complain in Ontario, sir, because there is no rate regulation there.

Senator BRUNT: You can fix any rate in Ontario and nobody can complain to a regulatory body?

Mr. MACGEE: On the intra-provincial truck movements, that is so. There is, however, a difference in conditions between a trucking company with five trucks and the C.P.R. or C.N.R. Mr. Trucker with his five trucks is not going to be in business for very many weeks if he sets rates at non-compensatory levels. The railways are protected because very quickly the trucker would be out of business. That is what I was referring to originally when Senator Roebuck asked his question, and I was thinking of the turnover in the industry that takes place.

Senator CONNOLLY (*Ottawa West*): What provinces did you say you are regulated in, Mr. MacGee?

Mr. MACGEE: We are regulated in Quebec, Manitoba, Saskatchewan and British Columbia.

Senator CONNOLLY (*Ottawa West*): How are the rates set?

Mr. MACGEE: In Quebec and British Columbia they are filed with the board and may not be changed, or no other rate may be quoted without authority from the board.

Senator BEAUBIEN (*Provencher*): That is a provincial board?

Mr. MACGEE: Yes, that is correct.

Senator ROEBUCK: Supposing you took an appeal to the Board of Transport Commissioners asking that the agreed charge permitted by the board to the railway should not be less than a certain figure. Would you be satisfied that the same figure be applied to your truckers? Let me clear that up. Supposing you said to the board that you wanted an agreed rate of \$5 on a certain unit, and the board agreed, stating that the railways could not quote less than \$5. Would you then be ready to prohibit your truckers from quoting \$4.99?

Mr. MACGEE: I think we are prepared to go further than that. If we took an appeal and the minister, after scrutinizing it, decided it merited being sent on to the board on the basis that the railway rates were not compensatory, and the board then looked into the situation and held that the rates were compensatory, that would be the end of the situation so far as we are concerned, even if the truck company was put out of business, for I don't see that if the railways can economically carry traffic at a lower cost then we can that they should be asked to carry it at an artificially higher rate in order to protect us.

Senator ROEBUCK: You have not answered my question.

Mr. MACGEE: I am sorry, sir.

Senator ROEBUCK: Supposing the board did set the rate at \$5 and you were in a position to quote \$4.99 and undercut them by that amount, tying their hands but not your own. What would you say to that?

Senator BRUNT: I don't think the board sets any agreed charge.

Senator ROEBUCK: That is what the witness has been saying.

Mr. MACGEE: No, sir.

Senator ROEBUCK: You want the board to say that the compensatory rate is a certain amount, don't you? You want them to define what the compensatory rate is?

Mr. MACGEE: Yes.

Senator ROEBUCK: And then prohibit the railways from quoting a rate lower than that?

Mr. MACGEE: Yes, sir.

Senator ROEBUCK: That is, you fix the rate. I have just chosen \$5 as an illustration. Supposing they set it at \$5. You would want to be free to quote \$4.99.

Mr. MACGEE: I think our position there would be exactly the same as if the railways were to undercut us and do it at a rate that could be proved to be economical to them. That is, if we could haul freight economically and, according to our costs, cheaper than the railways, then it is our duty to do so. We would be expected by the shipper to do so and if we did not then the shipper would find another trucker or perhaps put his own trucks on and haul his own goods.

Senator HORNER: Do you not think that in order to compare costs you would have to own your own right of way, maintain it and carry your goods on it, just as the railways do?

Mr. MACGEE: We would not agree with that.

Senator HORNER: It seems to me to be an entirely unequal proposition.

Mr. MACGEE: It is only unequal by reason of the technological differences in the industries. Trains cannot run on public highways. They have to have flange wheels moving over tracks. The internal combustion engine has given us the ability to render service with individual units. Sometimes this gives us an advantage over the railways and sometimes on long hauls in the movement of bulk freight it puts us at such a disadvantage we cannot even compete with the railways in the movement of that traffic because of the tonnage that can be pulled behind a freight train. I do not think because a new mode of transportation emerges—such as the airplane which does not need a right of way but operates in the tax-free air—it is reasonable to argue that the only way we are going to have equality between various modes of transportation is to take all these things into account, including the fact that the railways have to put down their own rail beds and maintain them and so on.

Senator HORNER: The railways had these things long before the trucking industry came into existence.

Mr. MACGEE: Yes, sir, and I think we will have the railways for a long time yet. I think we need them.

Senator HORNER: At the top of page 4 you say, "It stands to reason that an industry such as trucking did not grow to its present size or stature by doing silly things." Well, in this regard the trucking industry is undoubtedly the same as any other. They must have proceeded by trial and error, using wrong types of trucks, and so on. Surely many of the silly things that have happened to other industries have happened to the trucking industry.

Mr. MACGEE: Perhaps I might elaborate on what prompted us to make that statement. I agree that the individual trucking companies have proceeded by trial and error. Mr. McCallum who is sitting here is one of the pioneer truck operators of Canada. I am sure that if he looks back over his career of 30 years in the industry he will find that there are some things in his business he might have done differently today. I was merely trying to present the attitude or picture of the trucking industry today, and it has been contended in respect to giving the right of appeal to truck operators in these matters, that is, giving them at least the right to be heard on appeal, we will have a deluge of appeals made to the board or the minister, and that the trucking associations will be behind those appeals, instigating and promoting them, and will have parades planned from time to time leading up to the minister's doors.

Senator ROEBUCK: I am not much afraid of that.

Senator BUCHANAN: Of course, we do not have to decide what the rate shall be.

Mr. MACGEE: No, sir.

Senator CONNOLLY (*Ottawa West*): There is one aspect of Senator Roebuck's question, as I understand it, that you did not answer. Let me put it this way, that on an appeal on an agreed charge, you would complain as a representative of the trucking industry that a charge was not warranted, and then the board, presumably, would ultimately find that a higher charge was warranted. Now, in that case I gather that the railway would be required to charge that rate. Now, part of Senator Roebuck's question which I do not think you answered, at least to my satisfaction, was, could you not as a representative of the trucking industry have gone out and undercut that, and because you are not regulated, and because the railways are, then would you not be putting them in an unfair position?

Mr. HUME: I will see if I can answer the senator on that question. It seems to me there is a competitive aspect in that question between quoting a competitive rate and an agreed charge, which latter charge is a contract tying up a segment of freight, and it is the complaint, I submit, of the Canadian Trucking Associations that if you have a non-compensatory contract which ties up 95 per cent, that is unjustly discriminatory. But there is nothing to stop a railway charging a discriminatory rate, so long as it is stated that the shipment is by water, air or road. And if it was felt that the rate was considered to be unjustly discriminatory under the wording of the act as it now stands—take the case of a water carrier as an example—he can complain to the minister, and the minister goes to the board, and the board, if it finds it discriminatory, I assume that agreement would go by the board, and the traffic would go back to the competing field. But under an agreed charge it is tied up, and if you have a non-compensatory rate, specially if it is subsidized, it is submitted that if it is non-compensatory it is unjustly discriminatory. This was discussed on the Royal Commission on Transportation.

Senator CONNOLLY (*Ottawa West*): The agreed charge basically is a contract rate?

Mr. HUME: It is something more than that, it is a contract rate plus a percentage of freight, and other terms, which is denied to other carriers, which is completely different from a competitive rate.

Senator HAYDEN: But the agreed charge is an agreement between the shipper and the carrier as to the rate it shall carry?

Mr. HUME: It is the rate, plus a great many other items. The rate is only one of several items. It may be the *sine qua non* without which the agreement could not be made, but it is only one of the terms, and vastly different from a competitive rate. The Royal Commission held that any person, including the railways, would have the right to appeal to the board with respect to it, and under the federal act this is denied to the transport operators.

Senator CONNOLLY (*Ottawa West*): Was this discussed at the Royal Commission?

Mr. HUME: Yes, this was part of the submission of the Canadian Trucking Associations. This principle had been presented to the Royal Commission on Transportation as part of the case for the Canadian Trucking Associations, and there is no report yet on this phase of the application.

Senator ROEBUCK: Do I understand you to tell us that in this fixed charges agreement there is a provision that the shipper shall send all his goods by that railway?

Mr. HUME: Either 100 per cent, 95 per cent, 90 per cent, or 80 per cent depending on the negotiation. It is my understanding, and I am open to correc-

tion by anyone here who knows better, that out of the 1,000 odd agreed charges negotiated every one has some clause restricting a percentage, varying from 55 per cent up to 100 per cent.

Senator CONNOLLY (*Ottawa West*): I suppose you do that with your contracts?

Mr. HUME: In Quebec, where there is regulation, the chairman said there were two in the whole province of Quebec.

Senator KINLEY: The higher the percentage the cheaper the rate?

Mr. HUME: It is not the volume, it is the percentage of what is offered, and the contract does not provide for so many pounds but for a percentage of what is to be shipped.

The CHAIRMAN: You said these representations you are now making to us have been made to the Royal Commission on Transportation?

Mr. HUME: They were part of the submission made by the Canadian Trucking Associations in May 1960 to the MacPherson Royal Commission on Transportation.

The CHAIRMAN: Has the Royal Commission reported on that?

Mr. HUME: No, sir, they have not. Volume I has been published, which I presume is available to the committee, and deals mostly with railway subsidies. Volume 2, or possibly volume 3, may have some reference to our representations, but we have not had any official result.

The CHAIRMAN: Well, Mr. Hume, surely the question should arise in our mind, why should we deal in this bill with only one section of the recommendations of the Royal Commission on Transportation? It has heard the evidence but it has not reported on it. Should we not await its report?

Mr. HUME: Well, all I can say to that, sir, is that the Royal Commission on Transportation heard this representation from us, and they may ignore it or they may make a recommendation on it; that is quite true. All I can say is that the House of Commons passed this bill.

The CHAIRMAN: That is all very well, but I am wondering whether we should not await the report of the Royal Commission.

Senator HAYDEN: Do you not have to take your chances? Supposing the Royal Commission is against you and we had already passed this bill?

Senator CONNOLLY (*Ottawa West*): How many days did you appear before the Royal Commission?

Mr. HUME: In presenting our case? I was there most days when the association was presenting its case. We were about eight days, sir. We were three days putting our submission in. We had another extensive submission on economic surveys, and so on. Mr. Magee was cross-examined for five days.

Senator CONNOLLY (*Ottawa West*): You gave them a great deal of evidence?

Mr. HUME: Oh, a great deal, I suppose, yes, sir. We tried to be helpful.

Senator ROEBUCK: Mr. Hume, do you consider that this subject is included in the reference to the Royal Commission?

Mr. HUME: Yes, I do. I do not have the terms of reference with me, but the Royal Commission's interpretation of them was that it had the power to hear this and other matters, because the subsection—I think it was (f)—indicated that the commission could consider any other subjects that it deemed relevant.

Senator ROEBUCK: The commission deemed it relevant, and you submitted it?

Mr. HUME: We submitted this along with many other matters. This was not our principal submission but one of many others.

The CHAIRMAN: Honourable senators, it is now 3 o'clock, and I regret that I must interrupt this discussion in order that members may attend the meeting of the Senate. Is it agreed that we recess now and resume when the Senate raises at approximately 4 o'clock?

Some hon. SENATORS: Agreed.

The Committee took recess.

AFTERNOON SESSION

At 3.45 p.m. the hearing resumed.

The CHAIRMAN: Honourable senators, we have a quorum. When we adjourned our discussion to attend the sitting of the Senate Mr. Magee was the witness and Mr. Hume, Counsel for the Canadian Trucking Associations, had been making some observations. Mr. Hume wishes to make an explanation of a submission he made which he thinks might have misled members of the committee.

Mr. HUME: Thank you, Mr. Chairman.

It was brought to my attention by my learned friend Mr. Burbridge, who is representing the Canadian Railway Association, that I may have left an incorrect impression in my answer to a question with respect to the submissions made by this association to the Royal Commission on Transportation.

What I intended to say, gentlemen, was that a recommendation was made to the royal commission and that as yet no answer has been given. What I perhaps did not make clear was that the recommendation which we made went somewhat further than Bill C-33, namely, that we had suggested to the royal commission that not only the associations of truck operators of the provinces have the right to appeal to the minister, but that individual operators would have that right. Bill C-33 gives us somewhat less than that. I was informed that I may not have made clear to the committee that our submissions had gone further, and as yet there has been no reply.

I should like to say to the committee that the Minister of Transport, in dealing with this bill in the house, pointed out that the royal commission had not yet reported, but nevertheless he and the Government were in favour of this bill. Apparently the minister, with respect, felt that notwithstanding the submission that was made at that time, this bill was a desirable measure.

Senator ROEBUCK: Then if we adopted the suggestion of our Law Clerk and added after the word "water" the words "or road", that would satisfy you completely?

Mr. HUME: Yes sir. That would bring the amendment into line with what we had asked the MacPherson Royal Commission to do. I would like to make it clear that we are satisfied with the Bill C-33 as passed by the house, on the basis that half a loaf is better than no bread.

The CHAIRMAN: Are there any further questions of Mr. MacGee? I had one question to ask.

On page 3 of your brief, Mr. MacGee, you refer to the Transport Act as amended in 1955. Did the truckers in fact make similar representations to Parliament when the legislation was being amended in 1955?

Mr. MACGEE: Yes sir, we did. We made representations when Bill 449 was brought in, seeking the right of appeal and hearing. During the hearings of the Standing Committee on Railways, Canals and Telegraph an amendment to Bill 449 was proposed, to insert in the Transport Act the right of appeal

to the Governor in Council. That was not in accordance with representations we made, but it did produce a type of appeal that could be made to the whole cabinet.

We feel that it is a rather formidable and somewhat unwieldy situation to require a small truck operator—particularly some who own only two or three trucks, and we represent hundreds of such operators—to have to make an appeal to the whole federal cabinet. That is why we have supported and sought the right of appeal to the minister who is responsible federally for transportation matters.

The CHAIRMAN: There is one other point in your submission, Mr. MacGee, that I do not think I agree with entirely. On page 5 you talk about \$91,500,000, which you say represents subsidies to the railways.

Mr. MACGEE: Yes, Mr. Chairman.

The CHAIRMAN: I rather question some of those items. For instance, the \$14,500,000 in the Maritime Freight Rates subsidy can hardly be said to be a subsidy of the railways. It is a subsidy to the people who ship freight from the Maritimes. The same observation would apply with respect to the \$20 million in the Freight Rates Reduction Act.

Honourable senators will remember how that matter arose. The railways were authorized to increase their rates by 17 per cent, and then were made to reduce them to approximately 10 per cent by this \$20 million subsidy. I do not call that a subsidy to the railways. It is a subsidy to the people who were subject to those rates. I think it is rather misleading to say that there was a subsidy from the public treasury to the railways to that extent.

Mr. MACGEE: We did not mean it to be misleading, Mr. Chairman. Certainly in three of those subsidies—the Maritime Freight Rates subsidy, the East-West bridge subsidy, and the Freight Rates Reduction Act which came in in 1959 as an interim subsidy until the Royal Commission had reported—the shipper in each of those cases certainly benefits. As we pointed out on the extension of the \$20 million subsidy a few weeks ago before the railway committee, the money the railways get is paid out in the form of freight rates reductions, as required by the legislation. However, if a transportation agency is given public funds, even if it is restricted in the use of those public funds to reduce the rates, from the point of view of a competitor that is a subsidy which the transport agency is enjoying.

Senator HAYDEN: But, Mr. Magee, the railways got an order from the Board of Transport Commissioners by which they could increase their rates by a certain percentage.

Mr. MACGEE: That is correct.

Senator HAYDEN: And the Government refused to permit them to do that.

Mr. MACGEE: Yes sir.

Senator HAYDEN: The Government said, instead of allowing the increased rate, we will fill the gap.

Mr. MACGEE: Yes.

Senator HAYDEN: The railways had a right to take the larger amount.

Mr. MACGEE: We did not contest the freight rate increase.

Senator HAYDEN: How do you call it a subsidy?

Mr. MACGEE: It is certainly paid in the first instance to the railways who are the instrument of Parliament in assisting the shippers.

Senator HAYDEN: It is not a subsidy, surely. I disagree with the use of the word "subsidy". Instead of getting the carriage or the freight paid entirely by the shipper, the shipper is paying part of it and the Government is paying part of it. That is not at the will of the railway, that is at the will of the Government.

Mr. MACGEE: Mr. Chairman, we have never claimed that this is at the will of the railways. The railways themselves have said that they are not in favour of this type of subsidy. They opposed it before the royal commission on transportation, and I am sure if you were to ask them about it today they would be prepared to speak in the same terms about it. We say in regard to it whether they are opposed to it or not it is different in its impact on the trucking industry to single out the railways and say to them that you will be the agent and instrument of the Government in helping the shippers, than if the Government came to ten truck operators in a certain area where there were twenty of them and say to the ten that they would be the instrument of the Government and say to the truckers, you will reduce your rates and we will give a federal subsidy to compensate you, we say that the other ten truck operators would have very strong reason to oppose that and to be resentful of it and indeed the royal commission on transportation, in volume one of its report, has already reported on this matter and stated that aid to the shipper made available through the transportation medium should be made available from now on on a nondiscriminatory basis to all carriers. In the competitive transportation industry of today no longer should one competitive form of transport be singled out as the instrument of Government policy.

The commission then went on to say that such statutes as the Maritime Freight Rates Act, the East-West bridge subsidy and the Freight Rates Reduction Act, should all be looked at again in the light of their findings on that point.

Senator KINLEY: You mention the Maritime Freight Rates Act. What about the Crowsnest Pass rates? I did not hear anything about the Crowsnest Pass rates from you.

Mr. MACGEE: Our position on the Crowsnest Pass rates is exactly the same as it is on any other freight rate reduction or subsidy that exists. If the Government decides that it is going to give a subsidy on the Crowsnest Pass rates on the basis of the conclusion that these rates are not compensatory and bring them up to the 1961 cost levels, we will very definitely be on the doorstep of the Government and assert our claim to be a participant in the movement of that traffic.

Senator BEAUBIEN (*Provencher*): The Crowsnest Pass rates are not very profitable. How could you make any money hauling wheat at those rates?

Mr. MACGEE: I will be quite frank, Senator Beaubien, and say that at the level of the Crowsnest Pass rates today, as we explained to the royal commission on transportation, quite obviously we cannot haul wheat by truck at one-half cent a ton mile. The rest of the argument I will have to leave to the railway because they are much more competent to deal with that question.

Senator BRUNT: I am just asking this question for information: Crowsnest Pass rates have been in existence for years and years?

Mr. MACGEE: Yes, sir.

Senator BRUNT: Would they be in the category of agreed charges?

Senator LAMBERT: Those are statutory rates.

Mr. MACGEE: I do not think the Crowsnest Pass rates could be classed as agreed charges, and in the case of the C.N.R. it might be an arguable point. I would not want to get into an argument in the case of the Canadian Pacific.

Senator ROEBUCK: It is an agreement made statutory.

Mr. MACGEE: The Canadian National Railway certainly was not in existence when those rates were originally made and were no party to any grants of land or any other benefit that may have been entered into in 1897.

Senator BRUNT: Would you be able to complain about them on the basis of them being agreed charges on a reference to the Board of Transport Commissioners?

Mr. MACGEE: We are now talking about agreed charges and not about the Crowsnest Pass rates. Crowsnest Pass rates come under the Railway Act.

The CHAIRMAN: Are there any other questions to Mr. MacGee?

Mr. MacGee, if you are through I think perhaps we should next hear from Mr. J. J. Frawley, counsel for the Government of Alberta, who has to leave Ottawa tonight.

Mr. J. J. Frawley, Q.C., Counsel, Government of Province of Alberta: Mr. Chairman and honourable members of the committee, I have a very short statement to make on behalf of the Government of Alberta. I have been instructed to support the bill. Agreed charges at one time were subject to a great deal of regulation. Originally the approval of the transport board was required before an agreed charge came into effect. That was all changed in the 1955 amendment, as the Canadian Truckers Associations brief has pointed out. There is virtually no regulation or control of agreed charges by the Board of Transport Commissioners. Agreed charges are filed and they remain on file for 20 days and then they become effective. The only remedy that the complainant may have is through those sections in the Transport Act that were put in in 1955, and, as the C.T.A. brief has pointed out, the truckers have been excluded as potential complainants with respect to agreed charges in any respect.

Agreed charges are reaching an importance in the Canadian freight rate structure—and I will give you just four figures: In 1949 agreed charges accounted for only 2.4 per cent of the revenues of the railways; in 1953, it had reached 4.4 per cent; in 1957 it was 12.3 per cent; in 1959, the last full year for which statistics are available, they have reached 16.1 per cent. I venture the opinion, and it is not a rash venture at all, that when we see the 1960 figures that 16.1 per cent will have been materially increased.

Now, all I say is that when you have such an important segment in the Canadian freight rates structure there should be a larger measure of control by the regulatory body.

This is not a very powerful tool that you are placing in the hands of the C.T.A. by means of this bill. It sends them first to the minister who screens the application. His department must satisfy himself, as set out in section 33. If he thinks it is a proper case he sends it to the board and the board begins, entirely on its own motion, and thoroughly investigates the agreed charge to find if it is operating compensatorily.

The Canadian Trucking Associations has borne heavily upon the proposition that some agreed charges are not compensatory. I know that some of them are returning only seven-tenths of a cent per ton mile, some eight-tenths of a cent per ton mile, and the much maligned Crowsnest Pass rates are returning one-half cent per ton mile. These agreed charges have been brought about by the heavy force of competition. They are not being made voluntarily, the railways are driven down to that level by competition. The Canadian Pacific Railways spent thousands of dollars and some of us spent many thousands of dollars to challenge their figures before the royal commission on transportation to prove that the Crowsnest Pass rates were compensatory. I have not found an agreed charge that returns only one-half cent a ton mile but they are in that general neighbourhood. The C.T.A. will be one more potential complainant, that is all, one more person able to rap on the door and say, "We would like the board, if the minister pleases, to look into this particular agreed charge

and see whether it is compensatory; to see what effect it has on the net revenue of the railway; to see whether it is any lower than it need be to meet the competition"—those sort of conditions. That is a real remedy, if you can—if I might use an expression—get by the minister and get to the board. In any event, it is a long way from what it used to be, we think, when all that control and regulation were eliminated by the 1955 statute. Because we are very agreed-charge-minded out in Alberta we think it was, shall I say, a retrograde step, and this is a step in the right direction towards giving the board, through the minister, an opportunity to look at agreed charges.

Honourable senators, I said my statement would be short—

Senator ROEBUCK: Why should not anybody be allowed to complain? Why should we exclude the municipalities and the people who have to hire and pay the price, that is the customer? Why should not the customer be allowed to appeal?

Mr. FRAWLEY: I think I can speak freely for the government of Alberta when I say I agree entirely with you and would not disassociate myself from that, because I certainly challenged this legislation in 1955, which took away control from the board and made the board simply the rubber stamp for agreed charges. I think that was not right.

Senator HAYDEN: The statute at the present time permits any association or other body representative of the shippers of any locality to file a complaint.

Mr. FRAWLEY: He may complain to the minister, if the minister feels it is proper. That is not the same as being able to go to the board direct. That is all that is being asked for here.

Senator ROEBUCK: The statute says "any association or other body representative of the shippers." Thus, shippers' associations can appeal, but shippers cannot appeal individually.

Mr. FRAWLEY: A trucker is not a carrier, because "carrier" has a definition under the statute, and it is not an association of carriers. Truckers are asking to be brought in.

Senator HAYDEN: I was talking about the question of shippers. At the present time, under the statute, a person who is hurt by an agreed charge can go to the minister.

Mr. FRAWLEY: I would think that he has, probably, to go through sub-clause (b)—"any association or other body representative of the shippers of any locality."

Senator ROEBUCK: That refers only to an association of shippers or other representative body.

Mr. FRAWLEY: I think perhaps it might be a board of trade, but that might be questionable. If I may say so, these are rather odd words.

Senator HAYDEN: If you look under another section of the act brought in in 1955, section 32, and look at subsection (10) you will see that it says:

Any shipper who considers that his business is or will be unjustly discriminated against by an agreed charge may at any time apply to the Board for a charge to be fixed for the transport by the same carrier . . .

He can rush in on the same agreed charge?

Mr. FRAWLEY: Yes, a shipper is in a different position, and can get in on any agreed charge if he can comply with the conditions. In the presence of the Chief Commissioner of the Board of Transport Commissioners and one of his commissioners I would not like to go too far in expressing a view, but if the conditions can be met, then another shipper can become a party to the agreed charge.

The CHAIRMAN: The conditions are, substantially similar circumstances and conditions.

Mr. FRAWLEY: I think he must be prepared to submit the same quantity. If it is a 100 per cent agreed charge, then the shipper we are talking about at the moment must be prepared to send 100 per cent of his goods. He may be in a position where he cannot take advantage of rail facilities, and there are such cases. He may not have full rail facilities. There are various circumstances. However, if the shipper can meet the conditions he can get an agreed charge. We are thinking of something a little different under section 33. It is a fact that some trucking companies have been seriously affected by some lower agreed charges. That probably was the intention of the lower agreed charge. All I do respectfully submit is that it would seem to be consistent to give those people an opportunity, through the minister, to say they would like the board to examine into the agreed charge. That is why we in Alberta, speaking for the government of Alberta at least, would support the bill, sir.

Senator HAYDEN: What provision, if any, is there for the railway contesting an agreed charge the truckers may have been given in an area also served by rail?

Mr. FRAWLEY: There may not be too much opportunity in some provinces. I would only add there is, of course, a very large difference between the economic power of our two big national railways and a trucker operating between Medicine Hat and Lethbridge, let us say.

Senator HAIG: I would like to ask the gentleman a question. I might add that I did not know I was on this committee until today. This is the first time I have received notice of it sitting. I would ask if you are asking for a subsidy on the same basis as the C.P.R. and C.N.R. are asking for a subsidy?

Mr. FRAWLEY: No, Senator Haig. As far as I know, there is no question of subsidy arising under this bill.

Senator HAIG: You are asking for something to do with your rates?

Mr. FRAWLEY: No, we are not asking for that.

Senator HAIG: Why do you come here at all then?

Mr. FRAWLEY: To support a request by the trucking associations that they be allowed to complain against an agreed charge of a railway.

Senator HAIG: I understand that. The railroad pays for its own road. The trucker does not pay for his road, and I, as a road user, have to pay for some of it.

Mr. FRAWLEY: I think that all of us have heard hours of argument as to whether the trucker pays sufficiently for the upkeep of the highways, say, in the province of Alberta. As far as I know, the government of Alberta thinks he pays sufficient for the upkeep of the highways.

Senator HAIG: They do not think so in my province; they do not think they pay enough.

Mr. FRAWLEY: I realize there is a difference of opinion about that.

Senator HAIG: The people in my country do not think they are paying enough for the roads, and that the rest of us who have a car have to pay for them. No matter whether you say it or not, that is what they think.

Mr. FRAWLEY: I know that opinion is shared by many people.

Senator HAIG: In Manitoba automobile users think they are paying for the roads the truckers use. The truckers get more use out of the roads than they do, and, therefore, the truckers should pay more money. The automobile users in Manitoba may be wrong, but that is what they think.

Mr. FRAWLEY: It used to be said that truckers ruined the highways.

Senator HAIG: They probably do.

Mr. FRAWLEY: Now they have large safeguards and make them put rubber on the road that practically stretches from axle to axle. I do not think any province is careless about the way in which they allow truckers to use the highway.

Senator HAIG: I do not know why a man growing grain has to pay a bonus to the trucker to move his grain, because the trucker does not pay any more than I have to pay.

Mr. FRAWLEY: With great respect, I could not agree it is a bonus.

Senator HAIG: In my province we think that the truckers are the people who smash up our roads.

Mr. FRAWLEY: That used to be said.

Senator HAIG: The government of our province and the municipalities say we have to put in special heavy equipment on the roads to handle the heavy trucking. In Manitoba where trucks run the roads are more expensive to build than where they do not run.

Senator STAMBAUGH: We used to think when we were driving the Model T Ford that the big Cadillacs tore up the roads.

Senator HAIG: I have driven a Ford all my life, and it runs pretty well.

The CHAIRMAN: Are there any further questions of Mr. Frawley?

Mr. FRAWLEY: Thank you very much, Mr. Chairman.

The CHAIRMAN: Does anybody else wish to appear in support of the bill before I call upon those who I understand wish to make representations opposed to it? If not, I will call upon Mr. W. S. Jackett and Mr. F. S. Burbridge of the Railway Association of Canada. Do you wish to make a representation, Mr. Jackett?

Mr. W. S. Jackett, Q.C., Railway Association of Canada: Yes, if I may, sir.

The CHAIRMAN: And is Mr. Burbridge with you?

Mr. JACKETT: Yes, Mr. Chairman. We have a brief which I shall be pleased to read. There are copies which we can distribute amongst the members of the committee.

The CHAIRMAN: Very well.

Mr. JACKETT: Before I commence, Mr. Chairman, may I say that a large proportion of the points which we make in this brief have already been brought up. However, if the committee pleases, I should like to read the brief as a whole, whether or not the areas covered have already been brought out.

The CHAIRMAN: Would you begin by saying, Mr. Jackett, what the Railway Association of Canada is?

Mr. JACKETT: Schedule A at the end of this document sets out the member lines of the Railway Association of Canada. If the committee pleases, I shall be glad to read that list.

The CHAIRMAN: I do not think that is necessary.

Mr. JACKETT: 1. This is a submission by The Railway Association of Canada in opposition to the enactment of Bill C-33, an Act to amend the Transport Act.

2. The Railway Association of Canada is an incorporated body which represents the interests of railways operating in Canada. A list of the member companies is attached as Schedule A to this submission.

3. The purpose of Bill C-33 is to give representatives of motor vehicle operators a status to attack agreements made by railways with their shippers

for the establishment of what are known as "agreed charges". Statutory authority for such agreements was first provided in 1938 by the Transport Act, chapter 53 of the Statutes of 1938.

4. The carriers regulated under the Transport Act are railways and ships. Section 3 of the Transport Act states:

It is the duty of the Board (that is, the Board of Transport Commissioners) to perform the functions vested in the Board by this Act and by the Railway Act with the object of co-ordinating and harmonizing the operations of all carriers engaged in transport *by railways and ships* and the Board shall give to this Act and to the Railway Act such fair interpretation as will best attain the object aforesaid.

5. The main purpose of the agreed charge provision is to permit the railways to meet the competition of motor carriers.

I might say that that is one of the specific statements of the Turgeon Commission on rail charges, and it appears at page 46 of that commission's report.

6. In 1954, the Hon. W. F. A. Turgeon was appointed a Commissioner under the Inquiries Act to inquire into the application and effects of agreed charges, and, after an extensive inquiry, that Royal Commission reported in 1955. The Commission found that agreed charges are in the public interest and recommended changes in the 1938 legislation designed to increase the usefulness and effectiveness of the agreed charge scheme.

7. Before that Royal Commission, the Canadian Trucking Associations opposed the use of agreed charges by the railways.

8. The recommendations of the Royal Commission on Agreed Charges were implemented, substantially unchanged, by chapter 59 of the Statutes of 1955.

9. When the Bill to amend the Transport Act with reference to agreed charges was before Parliament in 1955, all interested parties were given an opportunity of being heard with regard thereto by the House of Commons Standing Committee on Railways, Canals and Telegraph Lines. Before that Committee, the Canadian Trucking Associations withdrew its objection to agreed charges and put forward a request for an amendment substantially to the same effect as that now proposed by Bill C-33. After a full discussion, that request was rejected.

10. In April, 1960, the Canadian Trucking Associations made a submission to the Royal Commission on Transportation (commonly known as the MacPherson Commission) that the agreed charge legislation should be amended substantially to the same effect as is now proposed by Bill C-33. Later in the course of that Royal Commission's hearings, the sponsor of this Bill filed a copy of Bill C-33 itself with the Commission.

I think I am wrong in that statement. I think it was Bill C-33 in the version in which it was introduced in a previous year. However, I think it is the same bill.

The Royal Commission on Transportation still has this matter under consideration and has not reported with reference to it as yet.

11. Bill C-33 is a private member's bill to amend a public act. This is the first opportunity that the railways have had to present their views with regard to this Bill during its course through Parliament.

12. To appreciate the significance of Bill C-33, it is essential to understand the necessity for "agreed charge" legislation. That background was explained by counsel for one of the railways to the Parliamentary committee in 1955 and his language in that connection is adopted here—perhaps I should say, before

reading this, that the counsel to whom I refer is Mr. John L. O'Brien, Q.C., who had spent a long time before the Royal Commission on agreed charges, and he is in a much better position than I to help the committee understand them. I thought the most useful thing I could do for this committee was to bring in the actual words used by Mr. O'Brien before the committee of the House of Commons in 1955.

Canada is an exporting nation and it is important that within reason exportable goods should be kept in what we call the low rated classes of traffic, the traffic which pays the lowest rates. Thus on the products of agriculture, the mines and the forests comparatively low rates are charged. They are the classes of traffic which Mr. Magee said the trucks did not want. You can appreciate why; there is not much profit. This scale of rates was not made for the railways; it was in the interest of the national economy to keep these lower rates and also to keep the railways solvent. Some of the traffic has to pay a higher rate and some of the traffic can afford to pay the higher rate. I can give you a very extreme example. For instance, a carload of diamonds could afford to pay a far higher rate than a carload of coal. To get into something more appropriate, might I say a carload of silk can afford to pay a higher freight rate than a carload of vegetables, and that is the type which has been characterized as the type of goods in which the trucks only are interested. So long as the railways can get the higher rates on the higher rated traffic so long can they afford to charge the low rates on the low rated traffic and particularly to carry the goods Canada is exporting...

Senator ROEBUCK: That is to say, you abandon the cost of carrying, and base your rates on the material carried. Is that scientific?

Senator HAYDEN: It is political.

Senator ROEBUCK: No, I have no thought of politics in my mind.

Senator HAYDEN: No, that has planned political considerations or overtones, shall I say?

Senator ROEBUCK: I see what you mean.

Mr. JACKETT: As you know, Senator, I have not been working for the railways for a long time, and I do not pretend to be in a position to engage in a full-scale discussion of this matter—

Senator ROEBUCK: If you had gone into it for many years it would not be too long.

Mr. JACKETT: This matter was gone into very fully before the MacPherson Commission, which has still to report on an overall plan for rate making. What I am saying to the committee is that this extract explains the basis on which rates were constructed as of that time, and as it goes on I think it brings out some of the consequences that can be expected. If there is to be a transformation, it is not transformed on a scientific basis. What I think Mr. O'Brien brings out in the passage I am coming to is that there may be very serious consequences to traffic that is of great importance to Canada as an exporting nation if the railways are not put in a position to meet trucking competition in what is known as high rated traffic.

Senator PEARSON: In other words, the profit you make in one thing is levelled off by the loss you incur in the other?

Mr. JACKETT: Generally speaking, yes, but as I have said I do not pretend to be an expert at this. If I may just continue with the quotation:

May I say that it does not cost more on the average to carry a carload of high rated commodities than low rated commodities, but this

rate structure was built as part of the Canadian economy and as part of the Canadian economy it was found necessary that the railways should get more for their traffic even though the cost of carrying might be the same where the traffic could afford to bear the costs. That is where the trucks come in. The manufacturer who is manufacturing his high rated traffic is perfectly happy if he can get somebody to carry it a little cheaper. The trucker goes to that shipper and says: "I can afford to carry it for less." Now, I said it is quite clear from the record that the railways' costs are so substantially lower than the truckers' costs that they can compete on the basis of cost any time and it is quite obvious that they can say to that shipper, "We can also take your traffic for less." But if they carry his for less and are going to remain solvent, then they are going to have to raise the rates on the low rated traffic and that will not only affect their business but also the Canadian economy. They can cut the rates. The railway companies could cut the rates on the high rated traffic below the trucking companies and still make a profit. That is, outside of some of these short hauls. On the average they can cut their rates below the trucks and still make a profit. But if this war goes on and they cut and cut—and someone suggested before the Royal Commission that that was a way to do it; you cut and the trucks cut, and they cut again and you cut again and very soon the trucks will call it quits because their costs are so much higher. In the last resort you would have that rate cutting war until the trucks, as one said, would call it quits. But in the process you would have reduced the railways' revenues on their high rated traffic down so low there would be only one of two answers. They would have to raise the rates on the low rated traffic or go bankrupt.

How does the agreed charge fit in here? The agreed charge puts an end to the rate cutting war. There was an example which I think Mr. O'Donnell mentioned this afternoon. The trucks in Manitoba and eastern Saskatchewan began to carry butter and the railways saw that they were losing this traffic in carrying butter and they cut the rates and then the trucks cut rates and that could have gone on indefinitely until as somebody suggested the trucks would have called it quits. But instead of that the railways came along and said to the butter producers out there, "Here, the rate is such that we will give you a slightly lower rate if you will guarantee to us say 75 per cent of all your shipments for the next year." That did two things: one it guaranteed the traffic to the railway for the next year; secondly it guaranteed to the butter producer his transportation costs so that he would know at what price to sell; and thirdly it stopped the rate cutting war.

Now we could have gone down and down in the rates until they stopped in any event but that would have cut the returns to the railways. It would still have been at a profit but not at the profit which it should have been if some other class of traffic which could ill afford to pay were not to be increased in its rates. So that all the agreed charges does in this bill with this small amendment is to say to the railways "you can go out and bargain with the shipper and you and the shipper make the best bargain you can." That is to the advantage, first of the railway companies, for the railway has a bargain under which it is sure it is going to get a certain percentage of traffic. It can make its plans as to the allocation of cars and the purchase of equipment. It is of advantage to the shipper because the shipper can make his commitment for the next year with certainty at least that his transportations costs are fixed. He may be able to make contracts in other respects also which would

fix his other costs, and the traffic is retained to the railways at not too great a reduction in the rates and it takes the impact off the low rated traffic which in the interests of the national economy should not be increased too much.

I listened with interest this afternoon to certain questions asked as to the loss leader problem. I think, perhaps, what I have said would answer that in part already. The railways do not have to have loss leaders in order to meet truck competition. Railway costs are so far below the truckers costs that they could cut rates below truck costs and still make a profit; so that the question of cutting the rates down to a point where the railways as such are making a loss could only arise in a very few instances where it might be a very short haul and in those cases there is no attempt and there never has been an attempt to try and make these agreed charges.

The agreed charges are, if you will look at them, almost universally in what you would call the comparatively long haul and I hope no one asks me what a short haul is or what a long haul is because the answer seems to depend on the district you are in, but I think we all appreciate what is the difference between a comparatively short haul and a comparatively long haul in dealing with transportation. This question arose before the Royal Commission and at page 482 of volume 6 the matter was fully discussed and Mr. Justice Turgeon had it all before him. For example, I take the case of Mr. C. D. Edsforth, who was asked by Mr. Spence:

So I take it Mr. Edsforth that you never make an agreed charge at a rate that is not compensatory?

Answer: We never make any rate voluntarily that is not compensatory, be it an agreed charge or any other. We will not intentionally do so.

That is the end of the extract from Mr. O'Brien's representation.

Senator SMITH (*Queens-Shelburne*): Would you mind telling us who Mr. C. D. Edsforth is?

Mr. JACKETT: Mr. C. D. Edsforth, until a few months ago, was Vice-President of traffic, Canadian Pacific Railway Company, and probably at that time he was a senior officer in the Traffic Department.

Senator SMITH (*Queens-Shelburne*): Thank you.

Mr. JACKETT: This submission continues:

13. Under the present legislation, a railway can make an agreement with a shipper for an agreed charge and, upon the expiration of the twenty-day filing period, the shipper can proceed with his business arrangements in full confidence that he is entitled to the agreed charge for at least one year. It is true that there is, under the present legislation, a possibility that, after the expiration of ninety days, an attack may be made upon an agreed charge under Section 33. The probability of such an attack is, however, remote.⁽¹⁾

In the footnote I have pointed out that the one type of attack which can now be made by representation to the Minister of Transport and then to the Board of Transport Commissioners, is either by the shipper or other rail or

⁽¹⁾ It must be made by or on behalf of another carrier regulated under the Transport Act, or by or on behalf of shippers or by convincing the Governor in Council that there is reason to believe that the particular agreed charge may be "undesirable in the public interest". The other provisions in the legislation for the protection of regulated carriers and shippers make it unlikely that there will be any ground for an attack on a particular agreed charge from that source, and it would be a very exceptional case in which the Governor in Council would find reason to believe that an arrangement between a shipper and rail carriers required to be investigated as being undesirable in the public interest.

shipping carriers who are also regulated under this act. So far as the shippers are concerned, in almost any case you can think of, they can get all the relief they need by making an application directly to the board under the provisions to which Senator Hayden referred, and get for themselves the same rate, subject to the same conditions as the railway has given to the shipper with whom it has entered into an agreement. So far as the competing regulated carriers are concerned, that is the other railroads or shipping companies who are in competition with the railway which negotiates the agreed charge, they are in a position by virtue of one of the provisions in this statute where they are entitled to be a party to the agreed charge arrangement, and furthermore they are entitled, even if they do not wish to be a party, to exercise a veto against the agreed charge arrangement; so that the possibility of a competing shipping company, which is regulated under the Transport Act, feeling in any way aggrieved by an agreed charge agreement, is most remote.

The CHAIRMAN: Has it happened very often under section 33 that a competing carrier by water or rail has objected to an agreed charge?

Mr. JACKETT: I have not made as careful an inquiry as I should, but from what inquiries I have made I have not been able to find out any such application which got through the Minister of Transport to the board, but I am sure that if I am wrong on that the chairman will let me know and correct it before the meeting is over.

I should also say the other possible attack on an agreed charge arrangement is where the Governor in Council finds some reason to think that an agreed charge arrangement is undesirable in the public interest. Where the Governor in Council finds that, he may make a direction to the board, under subsection 3 of section 33, to disallow the agreed charge arrangement if it is found to be undesirable in the public interest on the ground that it places any other form of transportation services at a serious disadvantage.

Now, so far as I know this provision has not been interpreted by the courts or by the board, but as I read it this does not contemplate an application by an individual motor carrier that he is being hurt competitively. This involves an inquiry as to whether some mode of transportation, that is, motor carrier transportation as a whole, is being injured to such an extent that it is hurting the public interest. So I repeat what I say at the end of the paragraph I have numbered 13, that under the present legislation it is so designed that once a shipper has entered into an agreed charge arrangement with the railway company, there is very little probability that that agreement will be attacked.

Now I come to the situation with regard to the motor carrier rates in Canada, but before doing so I should recall to honourable senators that the position in Canada is that so far as the rates of motor carriers operating entirely within a particular province are concerned, those are regulated; that is, where the carrier is located in the province, those rates have to be regulated by provincial regulation. Where a motor carrier is operating intra-provincially or internationally, the federal statutes apply, and these were passed after the Privy Council decided the Wenner case, which in effect authorizes each of the provinces to apply to intra-provincial and international traffic the same regulation that they apply to purely provincial traffic. With that background, I have endeavoured, as near as I can ascertain it, to summarize the situation so far as motor carrier rates in Canada are concerned.

In British Columbia, the rates for intra-provincial traffic, that is, local traffic, must be filed and approved by the provincial board. Rates for traffic moving extra-provincially, although filed with the board as a matter of information, are not regulated in any way.

Alberta: No regulation of rates on traffic moving either intra-provincially or extra-provincially.

Saskatchewan: Rates on traffic moving intra-provincially are regulated, but rates on traffic moving extra-provincially are not regulated.

Manitoba: The same as Saskatchewan.

Ontario: No regulation of rates on traffic moving either intra-provincially or extra-provincially.

Quebec: Rates on traffic moving intra-provincially and extra-provincially are regulated.

Senator PEARSON: How do they control extra-provincially now?

Mr. JACKETT: They do it under the federal statute which authorizes the provincial board to do it.

New Brunswick: Rates on traffic moving intra-provincially must be filed with the provincial board and the motor carriers must charge the rates so filed by them. Rates on traffic moving extra-provincially are not regulated in any way.

I should point out there is no regulation of the rates they file; they must merely file them.

Nova Scotia and Prince Edward Island: Rates on traffic moving intra-provincially and extra-provincially must be filed with the provincial board, and the motor carriers must charge the rates so filed by them.

Newfoundland: No regulation of rates.

15. The situation is, therefore, that the motor carriers' local rates in the Province are regulated in only four provinces, namely, British Columbia, Saskatchewan, Manitoba and Quebec and a motor carriers' international and interprovincial rates are only regulated in one province, namely, the Province of Quebec. Even in those provinces, as far as we were able to ascertain, the making of an agreed charge arrangement by a motor carrier with a shipper is not subject to the stringent sort of conditions imposed upon railways by section 32 of the Transport Act and there is no provision for an agreed charge arrangement being varied or cancelled in the case of a motor carrier as it may be in the case of a railway under section 33 of the Transport Act. Furthermore, while a motor carrier can ascertain full details of all agreed charge arrangements made by a railway before they come into effect, a railway has no way of knowing, generally speaking, what agreed charge arrangements have been made by motor carriers.

16. The effect of the proposed amendment will be to give the motor carrier the right to institute proceedings to attack railway agreed charges on the ground that

- (a) a particular agreed charge is unjustly discriminatory to a particular motor vehicle operator, or
- (b) a particular agreed charge places a particular motor vehicle operator's business at an unfair disadvantage.

Now, I have not endeavoured for the purpose of this presentation to come to any conclusions so that I can make a submission as to what is meant by one competitor being unjustly discriminated against another. I can understand a businessman discriminating in favour of one client against another, But I would have great difficulty in understanding how a businessman discriminates against his competitor when he is out trying to get business from him.

In the course of any such proceedings—and I talking now about the attack on the rates proposed under the legislation—the questions in issue will be such that motor carriers will undoubtedly assert a right to inquire into, and examine critically, the details of the business affairs of the railways, including their costs of operation, although the railways have no similar status to make any such claim concerning motor carriers.

18. (1) The proposed change in the law is wrong in principle because it would confer upon motor carriers, whose rates are relatively unregulated, a privilege to attack charges being made by railways, whose rates are regulated by the Board of Transport Commissioners, at a time when railways can be given no comparable status to question rates charged by motor carriers since these rates are entirely unregulated as far as federal tribunals are concerned.

(2) The proposed change in the law is objectionable as a practical matter because it will substantially nullify the value to a shipper of an agreed charge arrangement, and will thus accomplish indirectly the desire of the motor carriers to prevent railways from meeting motor carrier competition with agreed charge arrangements.

(3) In any event, the proposed change should not be made in the law pending the report of the MacPherson Royal Commission.

19. The objections to Bill C-33 being enacted as law cannot be better stated than they were by counsel for one of the railways before the Parliamentary Committee in 1955, when he put the matter as follows:

I wish to deal with the amendment suggested by the Canadian Trucking Associations. The Canadian Trucking Associations say that they wish to have the right to complain about agreed charges made by the railways. The railways may make an agreed charge. The term seems to imply something unusual. We would ordinarily say that they make a contract for the carriage of some stipulated percentage of a shipper's goods at a stipulated rate. They must publish it and let the world know about it, and if they make it with one shipper and publish it as required by law, then they must give exactly the same treatment to any other shipper who might suffer unjust discrimination by reason of that contract.

A trucker may make a secret agreement. In fact the past president of the Canadian Trucking Associations stated in evidence that it was very common for him to make an agreement with shippers just by a handshake. He said "we do not stipulate any fixed percentage, but that we will carry a certain proportion of their goods and we abide by that." But a railway cannot do that. The railway, if it makes an agreement, must file it, publish it, and make the same thing available for any other shipper who might claim that there was unjust discrimination.

In the case of the trucker, the railway does not know he has made any such agreement. There is no way of finding out; and he can make an agreement with one shipper, and no other shipper would have the right to complain, or ask that he carry his goods at the same rates.

I respectfully submit that the suggestion that the truckers should have a right to complain, or that anyone should consider the fact that they, the truckers, or even the railways should be given a preference in a competitive market is, I submit, wrong in principle. The public, in my respectful submission, is entitled to the cheapest transportation available, and it should have the right to bargain for it just like a customer of any other industry has the right to bargain, and that one industry or another industry may be hurt in the process is a result of the normal process of competition.

The truckers were able to make a better bargain with the shippers than the railways, and they took some business away from the railways. The railways now, by the Transport Act in 1938, and by a certain relaxation of the regulations in the present bill, are being given only one thing, and that is the right to go out and bargain with the shipper. The trucker

has the same right to go in and bargain in competition with them, and if the railways cannot give a bargain which the shipper is ready to accept, then they are not going to get the business. And if the railways have a better product or a better price, then they are going to get the business, just as any other industry does; and if they have not either they are not going to get it. And if it suits the shipper by reason of the fact that he gets a better or faster transportation to ship by trucks, that does not matter; but if the railways can go in with a combination of service and price and say that they have a better product, what is the difference between the competition between the railway and the trucker and the competition between two departmental stores, or the competition between two manufacturers? If one has a better product, then he is going to have the business, and the others should not come running to parliament and say "I do not think he should do it. I think he is giving a better product for a better price, or is giving better service, and it is hurting me, so stop him." On that basis, we would still have a very substantial buggy business.

The railways are asking for nothing but the right to go out and bargain in a competitive market. You might ask: what does it matter if somebody has the right to go in and make a complaint? It does not matter too much from the point of view of the railways. But let us take the position of the shipper. This comes easily to me because we went all through this several times before the royal commission.

There was a shipper, as I recall it, in Selkirk, Manitoba, who made an agreed charge with respect to some form of steel. He has a contract out in British Columbia and he makes an agreed charge under which the railway for a period of a year is going to carry his steel products to British Columbia. He can then make his contract out in British Columbia for supplying it, or for construction, knowing that his transportation costs are going to be fixed, and he can make his contract with some certainty as to that one factor, and perhaps other factors of which he knows—he may have fixed a labour agreement—which permits him to make his contract with certainty as to the costs. But if we widen this right to come in and complain in so far as the railways are concerned, they may, with their knowledge of railway law and with their studies of costs and other matters, be absolutely certain in their mind that after investigation his complaint is going to be found to be unjustified. But what about the shipper? He is not an expert in railway law; he has not made all these studies of costs, and he is left in a state of uncertainty: "Is this thing going to upset the agreement under which I have committed myself for a contract at a certain price? I may find that the contract I have made as to my transportation is going to be upset?"

He is the person who is most affected by all these well-intentioned efforts to allow every one to have his say. But the more people who have their say in respect to the validity of a contract, the more uncertainty there is going to be in the minds of people bound by that contract.

The railways, having been through this thing hundreds of times, and having been prepared for it, and having made their studies, they may say: "Do not be worried!"

But the man on the other end of it, who may go bankrupt by having quoted too low a price, is going to be uncertain, and is going to doubt whether he should make a commitment which may be upset by some aspect of the regulatory process.

I submit, if I may interject, that this very practical point of view is the nub of this matter, as to whether or not the railways can go out and get business

on an agreed charges basis or whether or not the shippers can have the assurance that when they sign a contract they can do business on the face of it. If three or four or five months later their agreement can be attacked because the railways are alleged to have made some mistake in their costing then they can have no confidence in the contract and it will undermine the usefulness of the whole system.

20. It must be recognized that although the right of complaint would be given to associations or bodies representative of the motor vehicle operators of Canada or a Province, the subject matter of the complaint is that the particular agreed charge is unjustly discriminatory against a motor vehicle operator or places his business at an unfair disadvantage. It is manifestly impractical to expose traffic moving under agreed charges to complaints of this kind.

I submit there is all the difference in the world between the present law under which the agreed charge system may be attacked because it is alleged that it is upsetting a segment of transportation in the country and the proposed system under which individual truckers can come in and make individual attacks on this particular contract is hurting a particular business.

21. In any event, it is our submission that the bill should not be passed at this time. The MacPherson Royal Commission has not yet dealt with the submissions of the Canadian Trucking Associations concerning Bill C-33.

I remind honourable senators, as I understood the representations made by the Canadian Trucking Associations earlier today, it was not merely Bill C-33 that was recommended but it was an entirely new bill for the regulation of the trucking industry.

This bill raises questions of fundamental principles of regulation, not only of the trucking industry, but of the railways, which are of importance to the economy as a whole. No piecemeal approach should be made as is now being proposed. Amendments to the Transport Act in the interest of motor carriers should be considered only in the light of the broad consideration of regulation of railways and the trucking industry generally. The proper time to consider Bill C-33 will be when the MacPherson Royal Commission has considered these proposals in the full context of fair and equal regulation of railways and the trucking industry in Canada, and has made its recommendations.

Mr. Chairman, if I may, there were two or three points made by the parties supporting the bill today that I would like to comment on very briefly.

It was suggested, in fact figures were given, that there were very large, relatively speaking, increases in the number of agreed charges. Honourable senators will remember that one of the main purposes of the agreed charges system of fixing rates was the fact that it was felt that the railways had to have some better way to meet truck competition. It will be recalled that at the time of the 1955 legislation two or three days were taken in dealing with this particular aspect. I do not pretend in the short time available to me to be able to bring factual statements, but if I may just refer the committee to the report which appears in the Senate Debates for Thursday, in the report of the Senate Committee dealing with Manpower and Employment, and I would refer you to page 45, where the committee deals with the fact that the one class of industry where there had been an increase in employment was the service industry, the report went on to point out that transportation was one of the service industries which did not have this increase.

Some transportation industries, most notably the railways and water transportation, have tended to decline in terms of employment, or at least have failed to expand to any extent, while others, such as the air transport and trucking industries, have grown rapidly.

Then when one turns to the table on page 48, one sees that railways are classified under the heading "declining," and truck transportation under the heading "increasing rapidly". So, if in 1957 there was a case for the railways having this facility, in my submission that case still exists so far as any facts are concerned that have been brought out before the committee. It has been suggested that the Minister of Transport, or the Department of Transport, is well equipped to act as a screening agency to sort out these applications and make sure that only proper ones get through the Department of Transport.

The CHAIRMAN: To the board?

Mr. JACKETT: To the Board of Transport Commissioners. It may be that at this point I am stepping out from the role in which the committee has agreed to hear me, but I cannot help saying from some of my experience it does not follow as a rule that the mere fact a duty is imposed on a government department they will have the facilities to carry out the same sort of investigation with regard to a matter of this kind that the Board of Transport Commissioners is especially equipped for. It is my humble suggestion that the Department of Transport, which like all other departments is overworked, will not be able to do any proper sort of sifting job.

Senator ROEBUCK: I suppose that if we pass this bill there will be a complaint go before the board, it will be decided and, therefore, form a precedent upon which the department will later on act. Is not that what is likely to occur?

Mr. JACKETT: The difficulty with that, as I see it, is that in any of these cases the indication has been the attack will be that the particular rate is not compensatory and that therefore it is unfair competition. Any inquiry as to whether a rate is compensatory or not is bound to be a difficult one. As Mr. Frawley pointed out to the committee, many thousands of dollars were spent costing a particular movement of interest to the Royal Commission.

Senator ROEBUCK: No one has said so far that principle has to be applied that the railways are not to be permitted to quote a rate below what would compensate them for the cost of the carriage. That is all assumed in this discussion; there is no such principle laid down that I know of.

Mr. JACKETT: It is the only basis suggested by the proponents of the bill as a basis for having an agreed charge arrangement struck now.

Senator ROEBUCK: They assume that is a condition that is binding upon the railways. I do not know where they get it from.

Mr. JACKETT: If that is not so, that is the only case that has been put up to me.

Senator ROEBUCK: That is why I say that in all probability there would be one complaint made to the railway commissioners on that basis, and the decision of the railway board might settle the whole story.

Mr. JACKETT: If that happened, then the legislation would not have hurt the railways, but it would not have done the truckers any good. It would have accomplished nothing. What I am afraid of is that just for a short while there will be a whole series of complaints, that the minister will find it is quite impossible for him to screen them, and he will have to pass them all on to the board.

Senator ROEBUCK: He will pass one on and say, "You go and find out what the board says".

Mr. JACKETT: If I might finish my apprehension, it is this, that once you get a number of cases in which there have been long, drawn-out hearings, we will be back to conditions existing in the pre-1955 period, in which shippers will not enter into these agreements because there are too many "ifs" and "buts" about them. Prior to 1955 they had to wait for the approval of the board, and relatively few agreements were entered into. Once you eliminated the approval of the board, as Mr. Frawley's figures indicate, they became a useful way of

doing business. Where you get back to the point where the shipper does not know until some months after whether it is going to be a firm deal or not, he is not going to be interested in it. If, as you suggest, the board disposes of the first one, and in that way stops the department from referring any more, it will not have done anything either way. If the minister does process them all through—and I do not see how he can do anything else—then you are going to have a whole series of agreements in jeopardy, and shippers are going to turn away from it.

Senator HORNER: I think the brief presented on behalf of the railways was well presented by this gentleman. His arguments are quite interesting. Perhaps the part the railroads played in the early days of the settlement of the west is a matter of sentiment with me, but then a settler, for instance, with 10 horses, his furniture, wagons and lumber were taken out to central Saskatchewan for \$100. The railways must have thought it took quite a few times to settle some fellows, who made use of that low rate many times. Of course, the purpose of the railways in doing that was to settle the land, and the thought was that eventually those settlers would be customers of the railway, because they would be growing grain which the railway would be asked to ship. Thus, they thought it would pay them to move these settlers out there.

Senator ROEBUCK: And they have been well compensated.

Senator HORNER: As a matter of sentiment, I cannot help but have some sympathy for the railways and the shipper who wants to make an agreed charge. I cannot help but have that feeling because of the position I am placed in where I live, where railroads are absolutely essential for the movement of grain and stock for great distances. I do not know everything about this matter, but I know something about it, and I think this brief has been very well presented.

Senator STAMBAUGH: There is one thing the agreed charges have done, Mr. Chairman. You will remember when we passed the $1\frac{1}{2}$ rate, that subsequently agreed charges have pretty well gotten around that and made that of no effect.

The CHAIRMAN: Are there any further questions of Mr. Jackett?

Senator ROEBUCK: You are asking us not to report the bill?

Mr. JACKETT: That is my request.

Senator BEAUBIEN (*Provencher*): In other words, your argument is that while this question is being dealt with before the MacPherson commission this bill should not be entertained and not until that commission has made its report?

Mr. JACKETT: Quite so.

Senator PEARSON: Has this submission been made in the other place, before the railways committee?

Mr. JACKETT: No.

The CHAIRMAN: I understand in the other place the bill was not referred to a standing committee but was dealt with in committee of the whole, so that this is the first opportunity that anyone has had to bring evidence one way or the other.

Mr. JACKETT: That is correct.

The CHAIRMAN: Thank you, Mr. Jackett. I gather there are no further questions of Mr. Jackett.

Gentlemen, that seems to conclude the representations to us. Does the committee wish to come to a decision with respect to the bill? Perhaps I am talking out of turn, but I am rather impressed with the suggestion that these representations are all before the Royal Commission on Transportation at the

present moment, and that commission has not yet reported its recommendations. It is quite evident, I think, from the evidence we have heard this afternoon that this matter of agreed charges is only one facet of a very wide question involving freight rates as a whole, Canada's international trade, and so on. I wonder whether we should not await the report of the royal commission which was appointed for this purpose among others, before we reach a decision.

Mr. BROWNE: Mr. Chairman, this point had not arisen when I spoke to the committee. May I have the opportunity of saying something about it?

The CHAIRMAN: We are always willing to hear anyone, Mr. Browne. Does the committee wish to hear Mr. Browne again on this point?

Some Hon. SENATORS: Agreed.

Mr. BROWNE: I would just like to point out to the committee that this is something which has been given careful consideration by the Government, and Mr. Hume, counsel for the Canadian Trucking Associations, referred to that fact.

While I am not in a position to speak for the Government on this matter, I know that many of the factors that led them to believe that this appeal should be provided for were not halted by the deliberations of the Royal Commission on Transportation.

The railways have been allowed to go into the trucking industry to a substantial extent. In the case of the C.N.R. in particular, there was a deficit of \$67 million last year, which of course was paid by the taxpayer. If they lost money by charging rates that were too low, and the deficit was paid by the taxpayer, that puts them in an entirely different position from people in the trucking industry.

In addition to the fact that the C.N.R. suffered a deficit of \$67 million last year—and there will be a deficit this year—it was recently shown in the Sessional Committee on Railways, Air Lines, and Shipping that in the trucking operations of the C.N.R. some four firms lost \$400,000. This is another place where the railways are entering into competition with the trucking industry.

Senator HORNER: But do not overlook the fact that the railways are compelled to operate trains and to give services, while the trucking companies are not.

Mr. BROWNE: I quite recognize that fact. Certainly no one would want to see the railways hampered in carrying out their responsibilities, but I do suggest that everyone in the country wants to see fair competition. I think that has been recognized by the Royal Commission on Transportation, in the case put forward by the Railway Association. It was stated that the trucking industry is not regulated to the same extent as the railways are. However, I think it has been pointed out already that trucking firms which do not have their deficits paid by the taxpayers are in a different position. If they do not charge compensatory rates they will soon go out of business. It seems to me, therefore, that no objection can be taken to the simple requirement that railway rates should be compensatory to the railway. The railways would not benefit if they charged non-compensatory rates.

I would like to refer to two statements made in this brief presented by the Railway Association of Canada. Page 7, paragraph (1):

The proposed change in the law is wrong in principle because it would confer upon motor carriers, whose rates are relatively unregulated, a privilege to attack charges being made by railways, whose rates are regulated by the Board of Transport Commissioners . . .

I would point out that at the present time agreed charges are not regulated by the Board of Transport Commissioners. That was taken out of their hands by the 1955 amendment. The railways simply file this with the board; the board has no power of its own volition to enter into and examine the rates.

Senator BEAUBIEN (*Provencher*): Has the trucking industry investigated this matter?

Mr. BROWNE: I have pointed out the reason they say they are in a different position from that of the railway, namely, the fact that if a private trucking company suffers loss no one is going to pay for it. The taxpayers met the loss of the C.N.R. last year of \$67 million—that puts the railway in a different position.

Senator SMITH (*Queens-Shelburne*): What about the Canadian Pacific Railway? Would you care to comment on their position in that respect?

Mr. BROWNE: The C.P.R. of course has not lost any money. There are of course differences between the C.P.R. and the C.N.R. in prices and policy, and I think there is more to be said concerning the position of the C.N.R., where any loss suffered is paid by the taxpayer.

Senator BEAUBIEN (*Provencher*): But you cannot substantiate the statement that the reason the Canadian National Railways suffered such a large deficit was to a great extent contributed to by agreed charges?

Mr. BROWNE: I submit, sir, if they are not doing anything wrong, and no non-compensatory rates are being charged, they have nothing to fear in this legislation.

Senator ROEBUCK: You said that agreed rates are not now regulated by the Board of Transport Commissioners, and you added that they have no power to do so. Is that right?

Mr. BROWNE: I say that at the present time they have no right of their own volition to enter into the matter; they can only act on a complaint that has been forwarded to them by the minister.

The CHAIRMAN: They can also act on the complaint of a shipper, under subsection 10 of section 32.

Mr. BROWNE: Yes. But they cannot act on a complaint of other carriers.

The CHAIRMAN: No.

Mr. BROWNE: I was referring to other carriers. In other words, the submission I made in support of the bill is that all carriers should be in the same position. I would submit that the carriers who are covered by the act are not very likely to be in a position to complain, because under the act as it is at the present time the other carriers, if they are in any way affected, have to be parties to the agreed charge. In other words, if water or rail carriers are in competition, they have to be a party.

The CHAIRMAN: Subsection 9 of section 32.

Mr. BROWNE: I believe that is right.

I wish to refer to another statement on page 8 of the brief, where Mr. Jackett puts forward Mr. O'Brien as the authority.

The railways are asking for nothing but the right to go out and bargain in a competitive market. You might ask: What does it matter if somebody has the right to go in and make a complaint? It does not matter to much from the point of view of the railways.

The evidence which has been submitted by Mr. Jackett on behalf of the railways indicates that there is no serious hardship on them in somebody being given a right to complain to the minister. I would stress the fact that if the railways were in any way affected by an appeal then it would have to be very clearly established that they were doing something wrong under the act. This does not make any change in the act. If an appeal is to be effectively

prosecuted then they would have to be doing something in violation of the act as it stands at the present time. This bill would give one more party the right to complain, but before that complaint can be prosecuted the railways would have to be in violation of the act. I think that that, too, should be remembered.

I wish to thank the committee very much for this opportunity of making these few remarks.

The CHAIRMAN: Honourable senators, it seems that this session will not be prorogued this month and we will have to come back in September. If that is the case I wonder whether the proper action we should take with respect to this bill is to hold it over until September to see whether in the meantime the Royal Commission on Transportation presents its second report. If it does then we will know what the royal commission recommends with respect to this matter. I simply put that suggestion forward to the committee.

Senator ROEBUCK: I agree with you.

Senator STAMBAUGH: That does not mean that we are throwing the bill out?

The CHAIRMAN: No, we would be deferring our consideration of it until the Royal Commission makes its second report. The commission has published Volume 1 of its report, and I understand that Volume 2 is expected fairly soon, and it may deal with this matter.

Senator BUCHANAN: I understand that Volume 1 was published before this bill came forward, and the Minister of Transport, having seen it, made no objection to the passing of this bill.

The CHAIRMAN: We are not bound by what the Minister of Transport says.

Senator STAMBAUGH: It would simply mean postponing it for the present?

The CHAIRMAN: Yes, until September when we will resume consideration of it.

Senator BEAUBIEN: I think your suggestion is correct, and I agree with it.

Senator PEARSON: Personally, I have no complaint about the bill. My feeling is that we should pass it as it is. I can see no objection to it at all.

Senator STAMBAUGH: I feel the same way. The truckers are making a great contribution towards the up-keep of our roads. They are strictly regulated in matters such as having to have certain number of square inches of rubber on the highway for the number of pounds they carry. They pay a high licensing fee, and they pay a gasoline tax. I do not think they should be attacked on that at all. I am in favour of the bill.

Senator PEARSON: I am too.

Senator LAMBERT: With due respect to those who differ, I think it is only a logical, and certainly a responsible, position to take in relation to this problem to await the findings of the MacPherson Commission on this whole problem. Its second report will undoubtedly supply point of view, information and data which we do not possess at the present time in spite of all these good presentations that have been made. It would be premature, in my opinion, to come to a decision on this bill until we know what that report is.

The CHAIRMAN: Can I have a motion one way or the other.

Senator PEARSON: I move that this bill be passed as is.

The committee divided, and on a vote of 6 to 8 the motion was defeated.

The CHAIRMAN: The motion is lost. Can I have a motion to the opposite effect, that we defer consideration of this bill until after the summer adjournment?

Senator BEAUBIEN: I will move that.

The CHAIRMAN: That is carried.

Senator PEARSON: On division.

The committee adjourned.



Fourth Session—Twenty-fourth Parliament

1960-61

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill C-111, intituled:
An Act to amend the Railway Act.

The Honourable A. K. HUGESSEN,
Chairman.

THURSDAY, JUNE 29th, 1961



WITNESSES:

Mr. J. Gordon Ross, Moose Jaw, Alberta; Mr. Reynold Rapp, M.P.,
(*Humboldt-Melfort*); Mr. G. W. Baldwin, M.P. (*Peace River*); and
Mr. I. D. Sinclair, Q.C., Counsel for the Railway Association of
Canada.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

*Aseltine	Gershaw	Molson
Baird	Gladstone	Monette
Beaubien (<i>Provencher</i>)	Gouin	Paterson
Bishop	Grant	Pearson
Blois	Haig	Power
Bouffard	Hardy	Quinn
Bradley	Hayden	Raymond
Brunt	Horner	Reid
Buchanan	Hugessen	Robertson
Campbell	Isnor	Roebuck
Connolly (<i>Ottawa</i>	Jodoin	Smith (<i>Kamloops</i>)
<i>West</i>)	Kinley	Smith (<i>Queens-</i>
Connolly (<i>Halifax</i>	Lambert	<i>Shelburne</i>)
<i>North</i>)	Lefrançois	Stambaugh
Courtemanche	*Macdonald (<i>Brantford</i>)	Veniot
Dessureault	McGrand	Vien
Emerson	McKeen	Woodrow—50.
Euler	McLean	
Farris	Méthot	

50 members

(Quorum 9)

**Ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate for Wednesday, June 21, 1961.

“Pursuant to the Order of the Day, the Honourable Senator Horner moved, seconded by the Honourable Senator Pearson, that the Bill C-111, intituled: “An Act to amend the Railway Act”, be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Horner moved, seconded by the Honourable Senator Pearson, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative.”

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, June 29, 1961.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 10.00 a.m.

Present: The Honourable Senators Hugessen, *Chairman*; Aseltine, Beau-bien (*Provencher*), Blois, Brunt, Buchanan, Connolly (*Ottawa West*), Dessu-reault, Euler, Gershaw, Gladstone, Gouin, Haig, Horner, Kinley, Lefrancois, Macdonald (*Cape Breton*), McGrand, McKeen, McLean, Methot, Pearson, Roe-buck, Smith (*Kamloops*), Stambaugh, Veniot, Woodrow—27.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel and the Official Reporters of the Senate.

Bill C-111, An Act to amend the Railway Act, was read and considered.

On Motion of the Honourable Senator McKeen, seconded by the Honour-able Senator Gouin, it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Heard in support of the Bill were: Mr. J. Gordon Ross, of Moose Jaw, Alberta; Mr. Reynold Rapp, M.P., (*Humbolt-Melfort*); Mr. G. W. Baldwin, M.P., (*Peace River*).

Heard in opposition to the Bill was: Mr. I. D. Sinclair, Q.C., Counsel for the Railway Association of Canada.

In attendance but not heard was: Mr. W. R. Jackett, Q.C., also Counsel for the Railway Association of Canada.

After discussion, the Honourable Senator Horner, seconded by the Honour-able Senator Stambaugh, moved that the said Bill be reported without any amendment.

The question being put on the said Motion the Committee divided as fol-lows:—YEAS 12, NAYS 5.

The Motion was declared carried in the affirmative.

At 12.30 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Gerard Lemire,
Clerk of the Committee.

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FOR THE
PURPOSE OF
RECORDING
THE
PROCEEDINGS
OF THE
COMMISSIONERS
OF THE
NAVY

IN THE
MONTH OF
MAY
A. D. 1880

BY
THE
SECRETARY

RECEIVED

THE SENATE
STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS
EVIDENCE

OTTAWA, THURSDAY, June 29, 1961.

The Standing Committee on Transport and Communications, to whom was referred Bill C-111, an act to amend the Railway Act, met this day at 10 a.m.

Hon. A. K. HUGESSEN in the Chair.

On a motion duly moved and seconded, it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded, it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

Senator HORNER: Mr. Chairman, as sponsor of this bill in the Senate I feel that had I made an adequate and complete explanation of it in moving second reading this hearing before the committee would have been unnecessary, and the bill would have received its three readings and have been passed into law. In view of that, I would suggest that if there are any persons here who oppose the bill that we should hear them first.

The CHAIRMAN: The witnesses who are here either in support of or opposition to the bill are Mr. G. W. Baldwin, M.P. for Peace River, Mr. Reynold Rapp, M.P. for Humboldt-Melfort. Apparently Mr. J. J. Frawley, representing the Government of the Province of Alberta, is unable to be present this morning. Also present is Mr. J. Gordon Ross of Moose Jaw, Saskatchewan, whom all honourable senators know is a former Member of Parliament for Moose Jaw, Mr. I. D. Sinclair, Q.C. and Mr. W. R. Jackett, Q.C., representing the Railway Association of Canada.

Senator Horner suggests that those who oppose the bill should be heard first.

Senator ROEBUCK: That is not the normal way of doing it, Mr. Chairman. I think those who are advocating the bill should tell us why, and then we should hear the response, because they are in a plaintiff-defendant relationship.

The CHAIRMAN: Of course, Senator Horner, we always permit anybody to rebut afterwards. I see no special reason for departing from our normal procedure, unless the committee feels otherwise.

Senator EULER: I move that Mr. Ross be heard.

The CHAIRMAN: We have a motion that Mr. Ross be heard. Would the committee like to hear Mr. Ross? I understand he is an expert on rapeseed.

Senator HORNER: Yes, he is.

Motion agreed to.

The CHAIRMAN: This is a Government bill, and it was explained on second reading by Senator Horner who seems to think his explanation was insufficient, although I do not think we all agree with him.

Mr. J. GORDON ROSS, Moose Jaw, Saskatchewan: Mr. Chairman and honourable senators, I come before the committee, first of all, as a producer of rapeseed, a crusher of rapeseed, and an exporter of rapeseed on my account and for the

farmers of Saskatchewan, Alberta and Manitoba, for the Saskatchewan Wheat Pool, the Alberta Wheat Pool and the United Grain Growers of Canada.

I come before this Committee because of my interest in and my knowledge of the production and marketing of rapeseed. Rapeseed has been grown in Canada for 18 years. During that time I have either personally or as the Agent of the Wheat Board purchased and either processed into oil and meal or exported as seed 95% of the entire crop for the first fifteen years and from 70 to 90% of the crop for the last three years.

The regular proceeding in a freight rate case is to go before the Board of Transport Commissioners. If the application is turned down by the Board the applicant can appeal to the Supreme Court of Canada or to the Governor-in-Council. On March 8th and 9th, 1960, an application was made to the Board of Transport Commissioners to place rapeseed under the Crowsnest Pass Agreement. In this case the decision of the Board was divided. Three commissioners gave judgment against the applicant, two for. After a very careful study on the part of the Cabinet they decided to agree with the two Commissioners who wrote the minority judgment. This bill is for the purpose of carrying out the judgment of the Governor-in-Council. When the case was before the board two main points were put forward by the railways. First, that rapeseed was not a grain. A great deal of evidence was brought forward to prove that rapeseed was a grain, much of which evidence was unnecessary because the definition of a grain in Canada is any substance which comes under Subsection 1 of Section 24 of the Canada Grain Act. Rapeseed is to be found in that section, and therefore is legally a grain. The second contention of the railways was that rapeseed was not being produced in Western Canada in 1897, and therefore could not be classed as a grain under the Crowsnest Pass Act. The answer is that the intention of the agreement of 1897 was that grain and flour from the Prairie would be moved under the Crowsnest Pass Agreement or Act to Fort William and Port Arthur. It did not specify which grain or which flour. It did not say grain or flour now produced. It meant any grain, any flour produced then or in the future. To prove that the railways understood that this was the agreement and the intention since 1897 when there were only seven items under the tolls and tariffs of the Crowsnest Pass agreement, they have now up to 1925 added 33 other items as grain and flour, many of which were not produced in Western Canada in 1897 and since 1925 the railways have added another 16 items, many of which were not produced in 1897. To give some examples of these additions, brewers dried grains were added. It is very questionable whether there were any breweries west of Winnipeg in 1897, or even in Winnipeg.

Senator CONNOLLY (*Ottawa West*): Public ones anyway.

Mr. Ross: There was certainly no corn produced in Western Canada in 1897 and yet corn cracked, corn flour, cornmeal are all under the tolls now. Distillers dried grain is under the toll when there was no distiller in Western Canada until a few years ago.

Senator CONNOLLY (*Ottawa West*): Again those are public facilities?

Mr. Ross: Yes indeed. The other fellow wouldn't dare ship his products by the railway.

Linseed meal, oil cake and oil meal, when there were no oil-crushing plants in the West in 1897. Then, since 1925 have been added malt flour which was not produced in 1897, pulp, beet dried, sweetened or not sweetened. There were no sugar beets produced in Western Canada in 1897. Wheat germ did not come into general use until a few years ago. Meal, oil cake, linseed, meal oil cake, rapeseed, meal oil cake sunflower seed, meal oil cake weed seed. None

of these things were produced in 1897. The first commercial sunflowers were grown in Western Canada in 1942 and we did not have oil cake linseed, oil cake sunflower seed and oil cake rapeseed. All these things were interpreted to be grain and flour by the railways. Seeing that the railways have placed practically every other conceivable merchandise which has been produced by the farmer which could possibly be called grain or flour, why did they exclude rapeseed from the definition grain while they included rapeseed meal and rapeseed oil cake which was produced from the grain rapeseed? The reason for this was never brought out or discussed during the hearings but usually there is a reason for any such action. This is the reason. Rapeseed was brought into Canada first during the last world war by the Federal Department of Agriculture. It was immediately placed under the Wheat Board. The Wheat Board purchased the seed from the farmer at a set price at the country elevator, 6¢ per pound. The Wheat Board paid the elevator charges. The Wheat Board paid the freight. The board paid the interior elevator charges, cleaning and storage. The board sold the rapeseed to the crushers at the 6¢ per pound that they paid the farmer and the board absorbed all other charges.

The producer had no idea what the freight rate was that was paid on rapeseed. The railways got from the Government Board an average of about 75¢ per 100 pounds for transporting rapeseed to Fort William, Port Arthur and to the West Coast when they were entitled to an average of about 25¢ per 100 pounds. It was not because rapeseed was not produced in 1897, it was because the railways had for several years received a very high freight rate from a Government agency which freight rate they had no right to. They, naturally, did not want to give this rate up and they therefore tried to justify it by saying that rapeseed first of all was not a grain and that rapeseed was not a grain for the purposes of the Crowsnest Pass Act.

Ever since the board stopped the purchase of rapeseed the producer has tried to get a reasonable rate which rate this Government is now making available to him under this bill.

I would be glad to answer any questions that any honourable members of the committee wish to ask me about rapeseed, its production, or the handling and exportation of these commodities and of the seed itself.

The CHAIRMAN: Thank you.

Senator PEARSON: Why didn't the board set all those charges at the beginning?

Mr. ROSS: It was brought in as a war measure in the first place to try and produce a rapeseed oil which could not be imported at that time. The places you could import from at that time were Western Germany, Holland and the Argentine but because of submarine action it could not be brought in so we had to produce rapeseed in Canada. The Wheat Board immediately took charge of it. The Vegetable Oil Controller in Canada set the price for the rapeseed to the farmer, agreed to pay the Wheat Board the difference and absorb those prices. Then the Vegetable Oil Controller set the price that the crusher was to get from the oil and the mill. This went on until 1949.

Senator PEARSON: Why did they pay such a high price for rapeseed?

Mr. ROSS: They wanted the seed for a war measure at that time.

Senator CONNOLLY (*Ottawa West*): Do you know if the board made a profit on that transaction?

Mr. ROSS: No, it could not.

The CHAIRMAN: I suppose the answer to Senator Pearson's question is that the Wheat Board and the controller were so anxious to get the oil that the freight rate charge was a minor consideration to them. Is that it?

Mr. Ross: Yes, and for that reason no producer knew what the rate was that was being paid during all those years.

The CHAIRMAN: Senator Pearson asked why the board or the controller paid the high price for the rapeseed?

Mr. Ross: Well, I suppose he did not even think about it.

Senator CONNOLLY (*Ottawa West*): How much was it sold for on the market?

Mr. Ross: They sold the seed for six cents a pound, that the producer got, and the crusher in Canada crushed it.

Senator SMITH (*Kamloops*): What is the comparative yield per acre of rapeseed with wheat, or other standard grains?

Mr. Ross: Well, the amount that comes off an acre is very comparable. The amount that goes into a freight car is the same. The only difference is that for wheat the rate would be one and a half cents per hundred lower than this rate, which is the flax rate under the Crownsnest Pass agreement.

Senator SMITH (*Kamloops*): I asked that question because I have an idea from figures we have been given that a normal crop of rapeseed would involve a lesser shipping weight than a normal crop of wheat, but you say they are about even?

Mr. Ross: Well, rapeseed will grow on the average about 700 pounds to the acre, sometimes up to 2,500 pounds per acre, and it goes down very much lower than the 700 figure. Fifty pounds to the bushel.

Senator HORNER: Can you get full capacity in a carload of rapeseed?

Mr. Ross: Yes, a minimum capacity of 80 and 100,000 pounds. It is shipped in bulk exactly like wheat.

Senator McLEAN: Is rapeseed a cash item, or do they pile it in warehouses until sold?

Mr. Ross: No. For 18 years I myself have bought, or somebody else has, every pound of rapeseed that has ever been produced for cash at the time it got to the elevator. We handle all the storage charges ourselves. The Government has had nothing whatever to do with this ever since the Wheat Board desisted from buying rapeseed.

The CHAIRMAN: There has always been a ready market for it?

Mr. Ross: Yes. It varies in price, of course.

Senator STAMBAUGH: It is what you might class a cash crop?

Mr. Ross: Yes, it is a cash crop.

Senator STAMBAUGH: What has been its average price in the last couple of years? It is not six cents a pound?

Mr. Ross: No. That was during the war. Then it dropped down from there; the Wheat Board dropped it. I paid the farmer \$3.60 per hundred. It varied then from five cents a hundred to a low of \$2 and \$2.30 a hundred, which was \$1.15 a bushel.

Senator HORNER: Was some sold on the basis of an advance payment?

Mr. Ross: We did both. I have a contract out which gives the grower a guaranteed minimum price of two and a half cents a pound at the country elevator, and I have given him a contract on a pooling basis, or an outright basis if he desires. The Alberta Wheat Pool does the same, except that they only pool. The Saskatchewan Pool also pools; they do not buy outright. The United Grain Growers pools and buys outright.

Senator STAMBAUGH: What will be the difference per pound if this bill goes through?

Mr. Ross: About half a cent.

Senator TAYLOR (*Norfolk*): Mr. Chairman, I am not a member of the committee, but may I ask a question?

The CHAIRMAN: Certainly.

Senator TAYLOR (*Norfolk*): I am interested in knowing, if there was a change in the freight rate, how would it affect production in Ontario of rapeseed?

Mr. Ross: Well, there is not very much production in Ontario, but there could be. What it would not affect, although some people might think so, is the production of soya beans in Ontario, which is the oil seep crop in Ontario. The situation with regard to that is this: If the Crownstest rate comes in through this bill and rapeseed can be moved to Fort William-Port Arthur at a lower rate, crushers in Fort William Toronto and Hamilton, Ontario, would have an opportunity of crushing this seed and distributing the oil in Canada. Under those circumstances, I think that the production of at least half a million acres in Canada could be used right in Canada. That would not affect the soya bean in Ontario in any way, for this reason, that soya bean oil, which is used in Canada, can be imported from the United States, on which there is a 20 per cent tariff, or soya beans come in from the United States with no tariff—the beans themselves. The Ontario bean is produced by the eastern crushers and it can be processed to be used in Canada, but I don't think much of it is. The American bean is used for Canadian oil and for Canadian meal. When you go into the Commonwealth market a manufacturer must have at least 25 per cent of raw material in his product to get into the Commonwealth market. So the Canadian crusher buys three bushels of American soya beans and takes one bushel of Canadian, and, if the market is right, crushes them and ships them into the British Commonwealth market, but uses the American bean for the purpose of making the oil for the Canadian public and for the meal for the Canadian public. Now, if rapeseed is allowed under this act I can readily see where it will compete with soya beans, but it will be the American soya beans and not the Canadian.

Senator HORNER: But it will also assist crushers in Fort William and Toronto to export oil.

Mr. Ross: That is right. Not only that, the Defence Department has been working for years to get a large crop of rapeseed produced in Canada, because it is the one oil we can produce economically and in quantity if we need it for war purposes.

Senator HORNER: Also western Canada is very conscious of the fact that when it has a surplus of other grain it cannot sell, the rapeseed crop is a life-saver to farmers to get a bill of cash.

Mr. Ross: Yes. In 1951 we only had 1,400 acres of rapeseed. Last year we had over 700,000 acres, and this year we expected 700,000 acres, but I am afraid the condition of the crop is such that there will not be too much rapeseed.

Senator PEARSON: Are rapeseed oil and soya bean oil of equal value?

Mr. Ross: Yes. I have exported considerable rapeseed to Europe, and I have obtained a higher rate than for soya beans.

The CHAIRMAN: What proportion of the total crop is exported?

Mr. Ross: About 90 per cent.

Senator GERSHAW: Does it pay the average farmer to grow a certain amount of rapeseed instead of wheat?

Mr. Ross: That all depends where he is. Some districts seem to produce more than others, and it has been grown all over the west, but it seems to grow better in the northern part of all the three prairie provinces, and there, although

I do not think the farmer will get any more money out of growing rapeseed than out of growing wheat, he will get as much in many cases, but he will get cash for it immediately.

Senator CONNOLLY (*Ottawa West*): Where did rapeseed get its name from?

Mr. Ross: It is derived from the Latin *rapus*. Rapeseed belongs to the mustard family.

Senator CONNOLLY (*Ottawa West*): It is a member of a family though?

Mr. Ross: Definitely.

Senator HORNER: Mr. Chairman, Mr. Ross might give us a short history of how we in western Canada, with our western resources and cash, bought and paid for this Crowsnest Pass Rates Agreement.

Mr. Ross: I am afraid, Senator Horner, that that would take an awfully long time.

Senator HORNER: It amounted to millions of dollars.

The CHAIRMAN: Any further questions to Mr. Ross?

Thank you very much, Mr. Ross.

There are several other supporters of the bill here and one in particular is Mr. Reynold Rapp, M.P., who introduced a private bill in the House of Commons for this purpose.

Would you like to come to the table, Mr. Rapp, and address the committee?

Mr. REYNOLD RAPP, M.P., Spalding, Saskatchewan: Mr. Chairman and honourable senators, I cannot add very much to what Mr. Ross said, but coming from a part of Saskatchewan where rapeseed was sown first, after the Wheat Board brought in that seed in the Humboldt-Melfort-Tisdale district, I would like to say a few words on behalf of the rapeseed producers, of which I am one. We not only produce it because it is a cash crop, and we can get cash for it on delivery to the elevators, but we did so in an effort to solve our main problem at that time a few years back when the production of wheat in this country was so high we could not sell it all, we had surpluses. By taking acreage out of wheat and putting it into rapeseed we were able not only to get a cash crop, for which cash was paid at the elevators, but at the same time we attacked our problem of surpluses right at the root in that we were producing less wheat. I would say that last year some 750,000 acres have been sown to rapeseed. If this same acreage was put into wheat we would have had a crop of 15 million or 20 million bushels of wheat, and the treasury pays approximately 10 to 11 cents storage charges per bushel of wheat, and as this equivalent wheat did not have to be stored that meant that the treasury actually saved approximately \$2 million in storage charges. On top of that we were able to reduce our surplus and over the years our greatest problem was because we were penalized by producing the grain for which we had to pay 75 cents to 85 cents per hundredweight freight rate, whereas had we produced wheat, oats, barley or rye, we would have paid only 22 cents to 23.5 cents. This was working against the rapeseed producers. Why should we be penalized this extra freight rate charge when we are helping to cut down the surplus of wheat and at the same time we were able to save money for the treasury. This, Mr. Chairman and honourable senators, is the only thing I can say on behalf of the rapeseed producers. Mr. Gordon Ross outlined the history of rapeseed as a grain. I could answer any question you would like to ask but there is not very much I could add to what Mr. Ross said.

Senator McKEEN: That \$2 million you saved for the treasury you take from the railways?

Mr. RAPP: I would not say exactly that they are taking it from the railways because they would not have produced rapeseed, they would have held the

wheat and shipped it at a cheaper rate. But it is not all savings. I think that we will be faced with a surplus for a long time to come. If we could take millions of acres out of wheat production, maybe a couple of million acres and sow it to rapeseed, because rapeseed can practically be grown on any land where you grow wheat, oats, rye or barley, except in some places where you run into drought conditions or a light soil like that on the Prairies. There you may run into difficulties, but in the northern part of the three western provinces farmers can go into the production of rapeseed just as well as we do now in our Humboldt-Melfort-Tisdale constituency.

Senator CONNOLLY (*Ottawa West*): Would you tell us how much extra freight charges the rapeseed producers or shippers have paid say over the last few crop years—how much extra in freight charges have they paid as compared with what they would have paid had they been under these low rates.

Mr. RAPP: Let me say that a farmer who puts in one hundred acres of rapeseed and harvests about 1,000 pounds per acre, he paid approximately \$5 per acre more freight charges than if he had put in wheat, oats or barley. In other words, the farmer who had put in one hundred acres of rapeseed paid \$500 extra above his neighbour who put his hundred acres into wheat, oats or barley.

Senator CONNOLLY (*Ottawa West*): In other words if you had the lower rate you would have saved an average of \$3.5 million a year in shipping charges.

Mr. RAPP: Not quite that much.

Senator CONNOLLY (*Ottawa West*): You mentioned the figure of \$5 an acre, and there are 750,000 acres. I do not want to tie the witness down, Mr. Chairman.

Mr. RAPP: The average yield of rapeseed per acre in Canada is about 700 pounds. However, in my constituency where rapeseed was first sown the production is approximately 1,000 pounds per acre. The reason why the average comes down to 700 pounds per acre is that there are many places that put in rapeseed for the first time and naturally it is listed as rapeseed acreage, and perhaps it might be that they are just experimenting with it on land that is not suitable for the crop or on which a crop had been grown—this is the reason the average production is down, but in my district we can produce approximately 1,000 pounds to the acre.

Senator CONNOLLY (*Ottawa West*): Can you estimate how much extra freight charges the producers of rapeseed have had to absorb?

Mr. RAPP: Last year let us say we had 750,000 acres sown to rapeseed. Multiply that by 700 pounds at one-half cent a pound and you arrive at a figure of approximately what we overpaid. I am not calling it a saving.

Mr. HORNER: I doubt, Mr. Rapp, that the average production of rapeseed per acre would amount to 700 pounds. I know of many places where the production is only 500 pounds per acre.

Senator EULER: Mr. Rapp, you would be saving the difference between what you are paying now and what you would pay under this bill. How much is that? What is the rate you are paying now on 100 pounds?

Mr. RAPP: It varies according to the district. In some districts we are paying 75 cents, and in some districts 90 cents.

Senator EULER: Take 75 cents; under the bill what would you pay?

Mr. RAPP: Under the bill I would pay the same as for flax, 23½ cents.

Senator EULER: And you say the difference comes off?

Mr. RAPP: Yes, about half a cent, it averages out.

The CHAIRMAN: Are there any further questions of Mr. Rapp?

Thank you, Mr. Rapp.

Mr. RAPP: Thank you, Mr. Chairman.

The CHAIRMAN: Mr. G. W. Baldwin, M.P. for Peace River is present. Do you want to add anything, Mr. Baldwin?

Mr. G. W. BALDWIN, M.P., Peace River: I will try. Mr. Chairman and honourable senators, I do not know whether I can add very much to buttress the eloquent and logical arguments of Mr. Ross and Mr. Rapp. I have a three-way interest in this. I appeared as counsel on behalf of the Bogoch Seed Company. I am no longer acting as counsel for that company, though I am still on the record. I also represent a constituency which is interested in rapeseed and which, I hope, will expand its production to some considerable extent when we get our new railway into the Pine Point area. Finally, I supported Mr. Rapp and Mr. Ross.

I went to the Dominion Bureau of Statistics, and I have some information which might be of value, honourable senators. Particularly, I could answer the question which Senator Connolly asked a few moments ago. I have here information I got from Government records. It would appear that since and including the 1956-57 crop year, up until the 1960-61 crop year there were approximately 1,800 million pounds of rapeseed produced in Canada; and at the average of half a cent saving we have assumed would be what would be gained—

Senator ASELTINE: That would not all be exported?

Mr. BALDWIN: No, that is quite right. On the half a cent basis, approximately 900 million cents or \$9 million would have been the amount which could have been saved provided this had been in effect, subject to the 10 per cent deduction for the amount which was not exported.

Senator CONNOLLY (*Ottawa West*): For how many years is that?

Mr. BALDWIN: This is including the crop year 1956-57, and inclusive of the crop year 1960-61, which would be exclusive of the crop planted this year.

Senator CONNOLLY (*Ottawa West*): That is four years?

Mr. BALDWIN: It would be five years—1956-57, 1957-58, 1958-59, 1959-60 and 1960-61. Those are the years. While I have that information before me, it is very significant and, I think, quite astounding, that in 1950-51 Canada was down to 400 seeded acres of rapeseed, whereas in contrast to that, last year we came up to 756,000 seeded acres of rapeseed. The total farm value which is quoted here might be of some significance. Dating from 1950-51, it is \$5,000. The estimate of the department is that in respect of last year's crop a total farm value would be slightly over \$16 million, between \$16 million and \$17 million.

With your permission, honourable senators, while I am on the question of the figures, I have here some information also from the Dominion Bureau of Statistics with regard to world production. It is rather extraordinary in the light of total world production. The total world production of rapeseed over the past several years has remained reasonably constant, something in the order of 4 million short tons. The 1935-39 average was 4,216,000, and at present, in 1960, 4,008,000 short tons.

The CHAIRMAN: What proportion of that is the present production of rapeseed in Canada?

Mr. BALDWIN: That is what I was coming to, sir. The five largest world producers, in order, are: mainland China, 1,100,000 short tons; India, 1,160,000 short tons; Pakistan, 369,000 short tons; Japan, 300,000 short tons; and then we come to Canada, 275,000 short tons.

With regard to export figures there is this information—and I think this is what the committee might be interested in—Canada is the largest world

exporter. The total world exports in respect of 1959 were 216,000 short tons. Of that Canada exported 112,000 short tons, far more, or rather more than half of the total world exports; and that from Canada which was in a poor position, fifth, as a world producer. I point that out to emphasize the fact that we can look forward to a reasonably assured market. We have a variety of outlets; and Mr. Ross is far better qualified to deal with that than I am. The production in some other countries is remaining constant, despite tremendously expanding populations. We, on the other hand, are in a position to capture and retain an excellent market of this commodity, for which there always appears to be a cash sale, which will supplement the wheat sale and be of value to the farmers in western Canada.

The CHAIRMAN: And it will be an expanding market as the years go on.

Mr. BALDWIN: Yes, I think so. Perhaps I might enlarge on another point Mr. Ross made. I took this matter up with officials in the Department of Agriculture. I was struck with the same thought that Mr. Ross expressed. There seems to be a fairly limited area in western Canada within which this crop may seek its expression starting somewhere in south-central Manitoba and thence going northwesterly through Northern Saskatchewan to the area around Edmonton and up to my county, the Peace River. It is fairly sensitive to climatic conditions and is subject to attack by insect depredation. It is not going to develop a situation where you are going to have a duplication of the wheat surplus. The areas where it can be grown are fairly limited, and it is those areas which will relieve the pressure of wheat. I do not know whether I need to say anything more, honourable senators. This honourable body is a legislative body, of course.

Perhaps I might mention, as Mr. Ross has already done, this question of the application to the Board of Transport Commissioners. As he pointed out in his brief, there was a division amongst the commissioners. These commissioners—the learned chief commissioner, the learned assistant chief commissioner and Commissioner Irwin—decided I was wrong in my application. Commissioner Knowles, who is here today, and Commissioner Woodward decided I was right. We went as far as filing notice of appeal and obtained leave to appeal from Mr. Justice Abbott, but the matter has rested there.

There was a very fine legal point which was involved. At the hearing—and I am not going to argue the legal point again, but I just thought I would like to set out what was at issue for the information of this committee—at the hearing before the board it was admitted on all sides, and so held by the chief commissioner, that rapeseed was a grain to all intents and purposes, and within the belief and the views of people in the agriculture industry. It was also admitted it was not grown at all in 1897 or 1925 as a grain. This was the question: Was the meaning of the word “grain” as included in the Crowsnest Pass Agreement and enabling legislation, and subsequently as inserted in the 1925 amendment to the Railway Act, to be extended to include what was now admitted to be grain? In other words, the railway companies said it was not grain in 1897 and in 1925, consequently it cannot receive the benefit of the Crowsnest Pass rates. Our argument was that the word “grain” as used was an expanding, growing term which must be brought up to date to meet conditions as they exist today or at any time in the future. I quoted certain authorities, the learned Chief Commissioner quoted other authorities, and we parted company on that issue.

I mention this to the committee to indicate to the members what was involved. I think that is all I can say, Mr. Chairman, unless there are questions which the members would like to ask me and which I cannot pass on to my predecessors.

The CHAIRMAN: Are there any questions to be asked of Mr. Baldwin? If not, thank you Mr. Baldwin.

Mr. BALDWIN: Thank you, sir.

The CHAIRMAN: That exhausts the list of witnesses on my list in favour of the bill, unless there is someone else who wishes to make representations. There are two representatives of the Railway Association of Canada here, a Mr. Ian Sinclair, Q.C. and Mr. W. R. Jackett, Q.C.

Senator KINLEY: Mr. Chairman, what is the Railway Association of Canada?

The CHAIRMAN: We will ask Mr. Sinclair that question.

Mr. IAN SINCLAIR, Railway Association of Canada: Mr. Chairman, honourable senators, while my brief is being distributed may I say that the member lines of the Railway Association of Canada are listed on the back page of the brief, and that the association is an incorporated association. I deal with that matter in the second paragraph of the brief now being distributed.

The railway association and I personally appreciate the courtesy you have extended to us, particularly in your allowing me to fly in here and make this presentation.

Senator ROEBUCK: You are an executive of the Canadian Pacific Railway, are you not Mr. Sinclair?

Mr. SINCLAIR: Yes. But I look upon myself as a westerner, with some knowledge of the situation we are dealing with. I am proud to appear as an executive of the railway association and an executive of one of the railway companies, but also as a westerner.

The CHAIRMAN: Perhaps you could proceed with your brief now, Mr. Sinclair.

Mr. SINCLAIR: Thank you, Mr. Chairman.

This is a submission by the Railway Association of Canada in opposition to the enactment of Bill C-111, an act to amend the Railway Act.

The railway association is an incorporated organization representing the railways operating in Canada. A list of the member companies is attached to this submission.

The effect of Bill C-111 is to require the railways to transport rapeseed to the head of the lakes and to other export positions in western Canada, such as Vancouver and Churchill, at the statutory level of the Crowsnest Pass rates on grain and flour, not exceeding the flaxseed basis.

The freight rates on rapeseed in western Canada have been the subject of two applications in recent years to the Board of Transport Commissioners. I should say that the board had before it representations very similar to those which you have heard this morning, made by Mr. Ross, Mr. Rapp, Mr. Baldwin, and others.

Senator KINLEY: What do you mean by "applicant"? This is a Government bill.

Mr. SINCLAIR: I was talking about the applicant, Mr. Gordon Ross, before the Board of Transport Commissioners.

After full hearing, including an appearance by the applicant, Mr. J. Gordon Ross, the board dismissed the complaint as to the level of the freight rates on rapeseed. That case is known as *J. Ross Syndicate v. Canadian National and Canadian Pacific* (1957) 75 C.R.T.C. 286. May I add that the decision of the board in the *J. Ross Syndicate* case was given on behalf of the board by Commissioner Knowles, who is here today. I should also say that there was not and has not been any difference of opinion in the board

on the point that the existing level of rapeseed rates are just and reasonable rates. The only difference of opinion in the board has arisen in respect of the legal interpretation, not as to the level of rates. I emphasize that important point.

Chief Commissioner Kerr subsequently stated the decision of the board in the J. Gordon Ross Syndicate case in part as follows:

...on the issue whether, as a fact, the rates on rapeseed were just and reasonable for the service performed, it was held that they were not shown to be unreasonable and the application for a reduction in rates was dismissed.

In the following year a further complaint was made to the board that the rates on rapeseed were unjust and unreasonable. Again after a full hearing, including evidence by the president of the complainant, Mr. Manuel Bogoch, and evidence from certain farmers from western Canada—including Mr. Rapp—the board rejected the complaint. That case is known as Bogoch Seed Company Limited re freight rates on rapeseed; the hearing was early in March, 1960, and the report of the board is 50 J.O.R. & R. 137. The finding of the board as expressed in the judgment of the Chief Commissioner is in part as follows:

...I am unable to find that the current rates on rapeseed are unjust, unreasonable, unjustly discriminatory or unlawful...

It is clear, therefore, that after full inquiry, including the weighing of evidence from witnesses fully conversant with the matter, the board has held that the existing freight rates on rapeseed are just and reasonable rates.

It seems to me, honourable senators, it is of some significance that the complainant, J. Gordon Ross Syndicate, in that case before the board, did not finally rest his application on the contention that the rates on rapeseed should be on the Crowsnest level but rather on a level 50 per cent higher than the Crowsnest Pass grain rates. This is clear from the finding of the board, where it is stated:

The main contention of the Applicant in the first complaint has been that rapeseed is a grain similar to other grains grown in Western Canada and should take the Crowsnest Pass grain rates. While this contention was also reiterated in the second complaint, it was somewhat modified by requests that the increases in rates be disallowed and for the granting of "a very considerable reduction in the maximum rates on rapeseed for crushing and rapeseed for export". At the hearing, the Applicant construed this suggestion to mean rates on rapeseed to Vancouver and other British Columbia coast ports and on the portion of the rates from the Prairies to Fort William and Port Arthur on a basis of 50% higher than the Crowsnest Pass rates.

6. The Board in its decision dismissing the complaint of the J. Gordon Ross Syndicate and holding that the existing rates on rapeseed were just and reasonable, was not prepared to order a level of rates 50% higher than the Crowsnest basis. This is in marked contrast to the level of the rates which the railways would be required to extend to rapeseed if Bill C-111 becomes law.

7. As stated earlier, subsequent to the Ross Syndicate case, the Bogoch Case was heard by the Board and in that case the contention that rapeseed was a grain within the meaning of the Crowsnest Pass Agreement and therefore entitled to the Crowsnest Pass basis of rates was fully argued and dealt with by the Board. The Board's finding in the words of Chief Commissioner Kerr, is as follows:

It is therefore my view that the word 'grain' in the Crowsnest Pass Act and agreement and in Section 328(6) and (7) of the Railway Act does not include rapeseed and I so find.

This is a matter to which I think I should draw the attention of honourable senators, and to the question of law which was raised in this case. The Railway Act requires that people trained in the law deal with that matter, and findings on matters of law are left to those who are trained in it. This may be a very good thing, Mr. Chairman and honourable senators, because legal interpretations are sometimes difficult, and they can be extremely difficult for people not learned in the law.

Senator BUCHANAN: That is why we have law.

Mr. SINCLAIR: My good friend, Commissioner Knowles, may have expressed a contrary opinion to that of the learned Chief Commissioner and the learned Assistant Chief Commissioner. I think many will acknowledge the standing of Mr. Knowles as a freight rate expert, but he cannot quite qualify to belong to the legal lodge, and I have made my point with respect to that in the submission here.

Senator EULER: Would you agree with the description of the law by one of Dickens' characters?

Mr. SINCLAIR: In this case sir, Parliament in its wisdom, looked after that by making an appeal on points of law open to the Supreme Court of Canada, and thus we have the learned jurists of the Supreme Court to deal with them. The Supreme Court of Canada, I am sure, is a court in which we all have confidence when it disposes of questions of legal interpretation.

Senator EULER: You do understand my reference, I hope.

The CHAIRMAN: Our time is not unlimited, Mr. Sinclair. I wonder whether you could stick to your brief rather than making comments upon it, unless you find it absolutely necessary to do so?

Mr. SINCLAIR: Very well, sir. In this case, as I say, Chief Commissioner Kerr gave a legal opinion which was concurred in by Commissioners Griffin and Irwin. Mr. Irwin is a non-lawyer, but Mr. Griffin and Mr. Kerr are. The dissenters to whom Mr. Baldwin referred are Mr. Knowles and Mr. Woodard who are not learned in the law.

8. Following the decision of the Board in the Bogoch case, the applicant secured leave from Supreme Court of Canada to appeal to that court on the question of law whether the Board of Transport Commissioners erred in not holding that rapeseed is included within the meaning of the word "grain" as used in the Crow's Nest Pass Act of 1897, and Section 328 of the Railway Act. Although leave to appeal was secured on September 9, 1960, the applicant, Bogoch Seed Company Limited, has not proceeded with its appeal.

9. It is clear from the findings of the Board and the fact that the Bogoch Seed Company did not proceed with its appeal, that it cannot be contended that rapeseed was covered by the Crow's Nest Pass agreement and therefore entitled to special privileges in regard to the level of transportation charges.

10. That rapeseed is an advantageous crop for the Western farmer is shown by the substantial increase in seeded acreage for its commodity.

Year	Seeded acreage	Average Farm Price
1953 - 1954.....	29,500	3.6¢ per lb.
1955 - 1956.....	136,200	3.5¢ " "
1960 - 1961.....	756,000	3.5¢ " "

Source: D.B.S. Handbook of Agricultural Statistics and D.B.S. Estimates of Production and Seeding.

I am informed that the Minister of Agriculture has estimated that the seeded acreage in rapeseed for the 1961-1962 crop year may well be 1 million acres. I do not think that figure has been quite lived up to. The present estimate is somewhere around 800,000 acres.

Senator ROEBUCK: Will the drought now being experienced out west affect this very much? I understand that is in the southern districts, is it not?

Mr. SINCLAIR: Yes, the drought is in the southern districts, but there have been many difficulties in the other districts. It is difficult to estimate what crop a farmer will plan, and what contracts will be completed as to the growing of rapeseed, because rapeseed is grown pursuant to a contract, generally speaking, between the marketer, or trader or middleman, and the farmer.

11. The members of the Committee will see that the attraction of rapeseed as a crop has increased, notwithstanding the costs of production, of which transportation charges are but one. There is no indication in the figures referred to above that existing transportation charges are placing an undue burden upon the growers of rapeseed. Indeed, when Mr. Manuel Bogoch was before the Board of Transport Commissioners giving evidence concerning his complaint, he stated that the farmer "will and can grow it at \$3.00" a hundred lbs., that is 3c. per lb.

12. As the members of the Committee know, the price to the farmer for a crop is a complex of many factors, of which freight rates is but one. But the point is that notwithstanding the level of existing freight rates, the price per pound to the farmer is reasonable, based on the evidence of Mr. Bogoch on March 8, 1960, giving evidence on his complaint to which I have just referred.

13. The method of marketing rapeseed will be of interest to your Committee. I am instructed that rapeseed is largely grown under contract, that is to say, it is a matter of bargaining between the farmer and marketers of rapeseed, such as the Bogoch Seed Company. The point is that the net proceeds from the sale of rapeseed may well not flow to the grower, as they would in the case of wheat, which is marketed by the Wheat Board which requires that to take place. No one can say with certainty that any reduction in the transportation charges for rapeseed will proportionately increase the price to the farmer.

14. The basic principle of freight rates is that they must be just and reasonable. Any rate in the freight rate structure that is not compensatory is automatically a burden on the railways or other shippers and is therefore not just and reasonable. It is for this reason that persons concerned with and active in freight rate making take the position that no rate in the freight rate structure that is not compensatory should be allowed to remain but that the railways should, from all segments of traffic, receive their variable costs and something more. Before the Royal Commission on Transportation these fundamental principles were reiterated by witness after witness. I draw to the attention of the Committee two extracts: When one of the witnesses for the Province of Quebec, Colonel J. J. Harold, was giving evidence, the following took place:

Mr. SINCLAIR: And I think you have also made it clear, and possibly I could use Mr. Frawley's words of yesterday, that any sort of rate in the rate structure must be compensatory or it should not be allowed to remain there?

Colonel HAROLD: That is true.

Counsel for Alberta had stated the matter this way:

... and I am putting aside the question of compensatory; there isn't really very much question about that, that an agreed charge and a competitive rate, and any sort of rate in the rate structure must be compensatory or it should not be allowed to remain there . . .

(Transcript Vol. 125—20819)

15. If just and reasonable transportation charges are an undue burden on any sector of the Canadian community and the well-being of that sector is a matter of national interest, then the difference between a just and reasonable freight rate and one that is placed at a lower level for national policy reasons should not be a burden upon the railways or the shippers of other commodities.

16. The MacPherson Royal Commission on Transportation was constituted by Order in Council P.C. 1959—577, dated May 13, 1959. At the commencement of the hearings of the Commission the Crowsnest Pass grain rate issue was placed in the predominant position and the Commission spent more time on it than on any other issue. The Commission conducted an exhaustive investigation into freight rates and in the first volume of its report indicated that in subsequent volumes it would deal with the freight rate structure. However, in the first volume of its report, the Commission found that the Crowsnest basis of rates is non-compensatory, that is, that the revenues received by the railways for the movement of grain to export positions in Western Canada did not even meet the variable cost of moving the traffic, let alone bear some share of overhead or constant costs. The MacPherson Royal Commission therefore recommended that as Parliament had taken the responsibility for establishing the low statutory grain rates, Parliament should ensure that the railways are properly compensated for services which the law obliges them to perform.

Senator ASELTINE: They have done that, haven't they?

Mr. SINCLAIR: No, honourable senator, they have not done that.

Senator ASELTINE: I think they have—very, very generously.

Mr. SINCLAIR: With great respect, sir, I would possibly be able to answer your question better if I knew what you had in mind.

Senator ASELTINE: Well, that a subsidy has been voted.

Mr. SINCLAIR: Sir, if you are referring to the supplementary estimates—

Senator ASELTINE: \$50 million has been voted and another \$20 million. Now you don't want to give the farmers this advantage?

Mr. SINCLAIR: The \$20 million is under the roll-back legislation and was a direct pay-through to the railways for reducing freight rates that were increased on December 1, 1958, to meet a wage increase, directly related, and that \$20 million is taken directly from the railways and passed to the shippers and not a single cent of it stays with the railways. It is an absolute flow-through from the railways to the shippers of these commodities that were increased in order to meet increased wages, and authorized by the board effective December 1, 1958. In respect to the \$50 million, sir, that is now, I think, before the house; at least it has been introduced as an item in the supplementary estimates. It is tied in and states that it is tied in to the fact that freight rates are frozen, and is to be distributed to the railways in relation to the proportion that the railways receive under the Freight Rates Reduction Act, and it is made clear in that, it is my respectful submission, sir, that it is in contemplation, to use the words of the Prime Minister, of part, not necessarily all, of the recommendations now made by the royal commission and pending, he has said. He is not going to deal with this finally until he receives the full report. They are limited, with due respect, sir, again, by the item in

the supplementary estimates, which we will see finally in the Appropriation Bill when it is introduced—if it has not been introduced today—to a specific one-year payment, and as an interim item. Once again, sir, I think it is wrong to suggest that this is a subsidy to the railway.

Senator ROEBUCK: When you entered into the agreement which formed the basis of the Crowsnest Pass Act, did you not get some consideration at that time?

Mr. SINCLAIR: Yes, sir. What the railways received was approximately \$3 million for undertaking the obligation to complete and operate a railway from Lethbridge through the Crowsnest to Nelson, British Columbia.

Senator HORNER: What about the 25 million acres of land?

Mr. SINCLAIR: With all due respect, honourable senator, that was not part of it at all. The agreement that you are making reference to was signed between the Canadian Pacific Railway Company and the Government of Canada in 1881. That is what provided for that. It had to do with the building of the main line from Callander, Ontario, west through to Port Moody on the coast.

Senator HORNER: Was there not some question about land along the right of way in connection with the Crowsnest Pass?

Mr. SINCLAIR: As part of the Crowsnest Pass line the Canadian Pacific acquired certain other railway companies, one of them being the B.C. Southern, which under its charter from the Government of British Columbia had a right to certain lands but—and this is important—as a condition of the Canadian Pacific taking over this company and securing the right to earn lands from British Columbia, the federal Government, in the Crowsnest Pass Agreement, says, "If you earn them you must give to the federal Government 50,000 acres of coal-bearing lands." So, in so far as lands were concerned, in regard to the Crowsnest Act, the federal Government gave no lands. The provincial Government gave certain lands which through this agreement enured to the benefit of the federal Government, and this is the situation with regard to that.

Senator HORNER: What about the part that is in Alberta?

Mr. SINCLAIR: From Lethbridge?

Senator HORNER: To the British Columbia border.

Mr. SINCLAIR: That had been built before the agreement was in, and it was built as a narrow-gauge railway and was extended to full gauge prior to 1897, if my history is right. But I think at that time, 1897, the railway was very close to the border at the Crowsnest Pass. It may not have been all the way there but certain things had been made and there was a narrow-gauge railway. This is a very different railway than the ones I think you have in mind, honourable senators, that is, railways that were built pursuant to certain federal requirements.

The CHAIRMAN: I suggest that Mr. Sinclair proceed with his brief, and he can be questioned afterwards. Do not depart from your brief any more than you need to, if you do not mind, Mr. Sinclair.

Mr. SINCLAIR:

17. As expressed by the Commission (Royal Commission on Transportation Vol. I, p. 50):

Therefore, the remuneration which should accrue to the railways is in our opinion based on two considerations. First, this remuneration should ensure that there is no burden on other users of railway facilities. Secondly, since this is a business in which the railways should be encouraged to continue, the traffic should yield a reasonable return upon investment.

I must add there, Mr. Chairman and honourable senators, that is specifically dealing with movement of grain at Crowsnest Pass rate levels.

18. Rapeseed, because of its value and the fact that it is a slippery seed, is a more expensive commodity to transport than are cereal grains. It is clear that a non-compensatory rate, a rate that is unjust and unreasonable, for the transportation of rapeseed, will not, to use the words of the MacPherson Royal Commission "ensure that there is no burden on other users of railway facilities" nor encourage "the railways to continue" in the business of transporting rapeseed and, of course, cannot yield to the railways for the movement of rapeseed "a reasonable return upon the investment".

19. The effect of Bill C-111 if it became law would be to force the railways to move rapeseed at non-compensatory rates and would reduce the revenues of the railways in the order of \$2.5 million each year, on the basis of present production, from the revenues that would be earned by the railways at present rates.

Senator HORNER: From the revenues, yes, but not necessarily at a loss.

Mr. SINCLAIR: Well, with great respect, senator, the railways are in such a financial situation that it certainly is a loss, when their permissive earnings are authorized by the Board of Transport Commissioners.

Senator HORNER: Perhaps you had better proceed, but others would agree with me that it is not at a loss. Rapeseed is one commodity the railway has nothing to do with in loading or unloading. The doors are all fixed, and it is taken out and unloaded. No less a man than Senator Crerar would be prepared to argue that it can be hauled at a profit.

Mr. SINCLAIR: With great respect, honourable senator, this matter was debated for months before the MacPherson Royal Commission, and the findings of that Commission, assisted by all the costs experts they had, was that the movement of grain in 1958—and costs have gone up since then—was non-compensatory. Now, that is the finding.

To continue with my brief:

The financial position of the railways of Canada is not such as to enable them to continue to provide service at ever increasing cost and absorb rate reductions and revenue losses therefrom in the magnitude which will result from the enactment of Bill C-111.

When Bill C-111 was before the House of Commons, it was not considered in committee and the members of the House therefore did not know the impact of the bill or the facts which are being placed before this Committee. Freight rates on rapeseed are but one factor in the freight rate structure of Canada. The MacPherson Royal Commission on Transportation has not completed its studies. Only one volume of the projected three volume report has been submitted. The Government has stated that it will not deal with the recommendations of the Royal Commission as contained in Volume I of its report until it has available the complete report.

Senator ROEBUCK: May I ask if this question of rapeseed was raised before the Royal Commission?

Mr. SINCLAIR: No, sir, it was not. So that I may not be misunderstood in my answer, what was raised and argued before the Royal Commission was the impact of traffic moving at statutory rates, whatever it may be, and we did not deal with specific commodities.

Senator ROEBUCK: I understand.

Mr. SINCLAIR:

21. The Railway Association of Canada is opposed to the enactment of Bill C-111:

- (a) Because, the freezing of rates by statute without provision to ensure that such rates do not become a burden on the railways and other shippers is uneconomic and detrimental to a sound freight rate structure, because it precludes the changing of the level of rates as changing conditions or costs of transportation may from time to time require;
- (d) Because, requiring the railways to carry rapeseed at unremunerative, non-compensatory rates without any recompense is an appropriation of railway facilities without compensation, which is an unsound exercise of legislative discretion;
- (e) Because, by requiring the railways to carry rapeseed at unremunerative and non-compensatory rates, Bill C-111 is an appropriation of railway facilities without compensation, which is contrary to the Canadian Bill of Rights.

22. A sound freight rate structure cannot be maintained and contribute to the economic well-being of Canada if rates are frozen by statute without compensation. Bill C-111 would require the railways to carry rapeseed at a rate level established in Queen Victoria's time—a rate level which does not reflect the changing conditions and costs of transportation as these have moved upward over the last half century and more.

- (b) Because, if special consideration is required by the growers of rapeseed, this cannot be assured to them by Bill C-111 because of the manner rapeseed is marketed;
- (c) Because, unremunerative freight rates as a matter of national policy can only be justified when the burden of such unremunerative rates is assumed by the national treasury. (Bill C-111 makes no such provision);

Senator ROEBUCK: I take it that the rate was fixed in dollars and cents?

Mr. SINCLAIR: It was fixed three cents a hundred pounds below the level that existed in 1897.

Senator ROEBUCK: And that was a money amount?

Mr. SINCLAIR: A money amount.

Senator ROEBUCK: No consideration was given to the changing value of money over the years?

Mr. SINCLAIR: No, sir that is correct.

Senator ROEBUCK: So you are getting the same amount of money today, when money is worth a half or a third or a quarter of what it was in 1897?

Mr. SINCLAIR: Correct, sir.

A SENATOR: You agreed to it?

Mr. SINCLAIR: But we agreed to it in a way that applied only to shipping points in existence in 1897, and the shipping points to which it applies are by virtue of the statute in 1895. These are over 1,200 per cent greater today. In other words, by the legislation in 1925, the agreement was put aside, because they extended, not as it was agreed to, only from shipping points in existence in 1897.

Senator ROEBUCK: The destinations remained the same?

Mr. SINCLAIR: No, sir. The destinations always were increased, because there was added, for example, Vancouver.

If I may continue:

23. That a rate level established in 1899 is reasonable under existing conditions, few would contend. Before the MacPherson Royal Commission, Mr. George Paul, who works for one of Canada's largest industries, a professional industrial traffic man with some 40 years experience and who appeared as a witness for the Canadian Manufacturers Association, said:

I would think it is a reasonable assumption that any rate which has not been increased since 1899 is hardly reasonable, I would say, today.

(Transcript Vol. 54-9912)

Even the witness for the Grain Handling Organizations, the pools and the U.G.G., Mr. W. B. Saunders, in relation to the rate level fixed in 1899, said:

"Obviously, these rates, are subject to suspicion, as you suggest, because they are very low compared with your average traffic."

(Transcript Vol. 127-22002)

24. T. M. Kidd, a recognized industrial transportation expert who appeared on behalf of the Canadian Horticultural Council before the MacPherson Royal Commission expressed his experienced personal opinion in this way:

Mr. SINCLAIR: Do you think it is detrimental or otherwise, to a realistic freight rate structure to have a segment such as the large movement of grain to export positions in western Canada frozen?

Mr. KIDD: Detrimental, yes.

(Transcript Vol. 52—9594)

25. The Canadian Industrial Traffic League said to the MacPherson Royal Commission:

The League respectfully requests that this Commission recommend that the Board of Transport Commissioners for Canada determine just and reasonable rates on grain and flour within the territory referred to in subsection 6 of Section 328 of the Railway Act, Chapter 234 and rates based on this formula as covered by general order 448 of August 26, 1927, issued by the Board of Transport Commissioners for Canada.

The League recommends that the difference between any statutory rate and normal reasonable rates so determined be borne by the national treasury.

(Transcript Vol. 52—9630/1)

26. Bill C-111 was no doubt intended to confer a benefit only on growers of rapeseed. It was not intended to confer a benefit on traders and the middlemen who dispose of the farmers' rapeseed in Canada and abroad. Surely Parliament would not require the railways to contribute to the financial enhancement of traders and middlemen. The railways are in dire financial straits and cannot contribute to the enhancement of others' financial position something over \$2.5 million per year.

27. The fact that the railways should not be required to carry the burden of national policy decisions is a tenet of the recommendations as expressed in Volume I of the MacPherson Royal Commission Report. The MacPherson Royal Commission said:

But, let us reiterate, for those obligations which involve losses imposed upon railways by law, there is an obligation to assist.

28. When Premier Manning of Alberta was giving evidence before the Royal Commission on Transportation he stated the situation clearly in the following:

Mr. SINCLAIR: And I think, sir, that we would agree that if the western grain economy needed assistance in any way it should be a national obligation of all the people of Canada; would you agree?

Premier MANNING: I think that it was in the category of those things that could be regarded as being necessary to the interests of Canada as a whole, and therefore, as I said earlier, if in the right of the overall picture public aid is necessary, that would be one of the grounds on which that aid would be justified.

(Transcript Vol. 36—5703/4)

The point is made succinctly in the evidence of the St. Catherine and District Chamber of Commerce before the MacPherson Royal Commission, as follows:

If the national policy demands that export grain rates be subsidized such subsidy should be borne by the national treasury and not by the railways whose competitive position is impaired because they must charge more for non-grain traffic.

(Transcript Vol. 42—7007)

29. The basic principle of freight rate making embodied in the Railway Act and upon which the commerce of Canada depends is that every rate must be a "just" and "reasonable" charge. Every rate must be "just" and "reasonable" to the shipper and to the railways alike. The statutory rates provided by Parliament in 1925 for grain and flour represent an exception to this fundamental principle of rate making, finding a basis in history and justified on historical grounds which, however, in the views and recommendations of the MacPherson Royal Commission require re-assessment and change.

30. Bill C-111 would constitute a new departure from the fundamental principle of rate making for which there is no possible justification, historical or otherwise, and is clearly an unsound exercise of legislative discretion, particularly in the light of the findings of the MacPherson Royal Commission and in view of the fact that the Government has said it will not deal with these recommendations until all the recommendations of the Commission are available.

31. If Bill C-111 had made a provision that it was in the national interest to extend unremunerative low rates for the movement of rapeseed; had set up a vehicle to assure that the assistance thereby given moved to the growers alone; had provided for just and reasonable compensation to the railways for the services performed, the Railway Association would have had different submissions to make to your Committee.

With your permission, Mr. Chairman and honourable senators, I would just like to draw to your attention the fact, as Mr. Rapp has said, the growing of rapeseed is saving the national treasury in storage charges alone something over \$2 million per year. The cost of this reduction in rates, if this bill were to become law, would be something in the order of \$2.5 million.

Senator ROEBUCK: Is that because the wheat would have to be stored while the rapeseed is shipped right through?

Mr. SINCLAIR: That is what Mr. Rapp said.

Senator ROEBUCK: It creates a great saving to the community on the rapeseed side.

Mr. SINCLAIR: There is a saving to the federal treasury because they do not have to carry the cost of the storage. That is the point that Mr. Rapp was making.

Senator BUCHANAN: You do not think the individual growers of rapeseed should be penalized for that, do you?

Mr. SINCLAIR: No. My point is this, if someone was asking where would the money come from if it was decided that the rapeseed producers get this low rate, my point is that it is already being taken care of in storage charges in the transfer of acreage from wheat to rapeseed, and this particularly has taken place in the years since 1956, 1957, 1958, as statistics of crop production will show.

Senator BUCHANAN: Do you not think that the rapeseed grower should be put in the same category as other grain growers and then if there is an adjustment in freight rates later on at that time the rapeseed growers will receive their share of the benefit of the adjustment. In other words, if the railways were later to get an increase of rates right across the board on grain should not the rapeseed producers be in a position to benefit from that? Of course if this does not go through they will not get that.

Mr. SINCLAIR: The railways, as the law is now, cannot get an increase on the movement of grain and they cannot expect to get any until all the MacPherson Royal Commission report is in and until the Government deals with it.

Senator BUCHANAN: That is the very point I am making. Since the commission is going to deal with the whole subject why should not rapeseed be put in with the other grains now so that they will be all dealt with on the same basis rather than have them come in after the MacPherson Royal Commission report is made and then deal separately with rapeseed again.

The CHAIRMAN: I think Mr. Sinclair's point is that if the rapeseed growers are going to get this benefit, and as a result of their growing and selling rapeseed the federal Treasury already saves \$2 million a year in non-storage charges, then the Treasury should pay for it rather than the railways. Is that not your point, Mr. Sinclair?

Mr. SINCLAIR: Yes. Perhaps I might say this, to try to answer you, honourable senator: to carry your suggestion forward would, I think, require the bill to provide something along these lines, that grain will be deemed to include rapeseed. And then there is another paragraph, that the difference between just and reasonable rates for the movement of grain, as set forth in this act and in section 328 of the Railway Act shall be an obligation on the national Treasury.

Senator BUCHANAN: Of course, we do not know what the MacPherson Royal Commission will do in that regard. If we place it in its proper category now then they will have to deal with it along with other crops.

Mr. SINCLAIR: But we know what the MacPherson Royal Commission will do. It has already found that the rates in this bill which would include rapeseed are non-compensatory. They have recommended to the Government that should be put a stop to, and the Government should accept that obligation as a national obligation. But the Government has said, "We will not deal with that recommendation until such time as we have received all the recommendations of the commission." What I am saying is that when they deal with that, and if they carry out the recommendation of the MacPherson Royal Commission, then it would be time enough to make rapeseed a grain by statute, to get the statutory grain rate basis.

Senator BUCHANAN: As far as I am concerned, I would like to see rapeseed brought in now, and then they would have to deal with it, and we would know now that they would have to deal with it.

Mr. SINCLAIR: But say they decided not to extend to the railways the recommendation?

Senator BUCHANAN: Then you could make your representations at that time to them.

Mr. SINCLAIR: But with the railways already in dire straits, you are suggesting that they should, in the following year, lose another \$2½ million.

Senator HORNER: Very well. You get more now for rapeseed, the same as for flax. But let me put this question. Suppose the rapeseed growers discontinue growing rapeseed and seed that to wheat. You haul the wheat under the Crowsnest agreements for less than you would receive for rapeseed. How much better off would you be then?

Mr. SINCLAIR: My answer to that is this: grain moving domestically in western Canada gets rates much in excess of the Crowsnest basis, and it could be that instead of the farmer moving from rapeseed to wheat he would move to cloverseed. Take the Melfort district and Nipawin, and other places you know well. If he moves to cloverseed or, say, crested wheat—and this is the type of land where it will grow—then the railway will get the same amount on the rate structure as they get from rapeseed. In this area, where a farmer gets such a yield of rapeseed and where he can be paid 3 cents a pound for that rapeseed, he is under no disability. He can and will deal at three cents a pound and pay all the charges. He has expanded his production of rapeseed and he cannot make that kind of money growing wheat.

Senator HORNER: But you would be no better off.

Mr. SINCLAIR: But we would be much better off if he grew crested wheat and clover. In the Nipawin district it has been shipped for years.

The CHAIRMAN: I suggest we allow Mr. Sinclair to continue his brief.

Mr. SINCLAIR: 32. It is evident that the imposition on a carrier of a duty to carry a commodity at a rate that does not yield the variable cost of carrying that commodity is an appropriation of the carrier's facilities and property without compensation. It has always been one of the traditions of our democratic system that our sovereign legislatures do not appropriate a person's property without providing compensation. And I hope that will always continue in this country, at least as long as I am part of it—and I think I will get agreement on that.

33. Upon any interpretation of the Canadian Bill of Rights based on an appreciation of its real purpose and intent, the imposition of a duty to render services to others at a net loss on revenue account must be regarded as an encroachment upon the "right . . . to . . . enjoyment of property, and the right not to be deprived thereof except by due process of law" acknowledged and declared by s. 1 of the Bill of Rights and protected by s. 2 thereof. Bill C-111 does not contain a provision that it is to operate notwithstanding the Canadian Bill of Rights.

34. It is the respectful submission of The Railway Association of Canada that Bill C-111 should not be reported at this time. It is respectfully suggested that further consideration of this bill might well be deferred until Parliament has the advantage of considering the complete report of the MacPherson Royal Commission.

35. The Railway Association of Canada, again, honourable sirs, appreciates this opportunity of presenting its views to this Committee.

(For List of Member Lines of Railway Association of Canada see Appendix "A")

Senator ROEBUCK: You have spoken about carrying grain at a loss, and you have quoted the Board of Transport Commissioners in support of your statement. Can you give us a more complete picture and more detailed information on that? How much of a loss is it?

Mr. SINCLAIR: The Board of Transport Commissioners in this specific case—and this is different from cereal grains, because they have been under statutory control for so long—the Board of Transport Commissioners in this particular case, rapeseed, in 1957—and, indeed, once before that, as an incidental matter—in 1957 and, again, in 1960 specifically gave consideration to what would be a just and reasonable rate for rapeseed moving to export positions from western Canada. And in that phrase I include the Lakehead, although they also receive domestic shipments there. Even though it is used domestically it is received there. In fact, there is a crusher at the Lakehead, and he would get the benefit of the low rate, even though he was going to develop it and crush it and ship it, say, to Ontario.

With due respect to the answer to the question asked earlier this morning of Mr. Ross, that this would not hurt the Ontario grower, I disagree. The Ontario grower today has been hurt by the fact that grain moves to the Lakehead for domestic purposes on the Crowsnest basis, and he has said this many times, as people in Ontario and people interested in agriculture know. Though Mr. Ross is quite right in saying that soybean and rapeseed are not really competitive in the western market, I disagree with him on the other point.

In this case concerning rapeseed in 1957, in 1960, after days of hearings and after full consideration had been given to it by the Board of Transport Commissioners, they found the existing rates were just and reasonable. That is—they were reasonable and just only from the position of the shipper and the railways.

Senator ROEBUCK: You told us that before. Can you give us something more? If this bill were passed and rapeseed became grain for the purpose of the Crowsnest Pass Act, how much would you lose?

Mr. SINCLAIR: \$2½ million per year.

Senator ROEBUCK: That is, the cost rate to you would be less than what you would be entitled to have by \$2½ million?

Mr. SINCLAIR: Yes sir, per annum.

Senator ASELTINE: How is it that when there are big crops in western Canada the railways always make money?

Mr. SINCLAIR: That is easy to understand.

Senator ASELTINE: It has always happened, in my experience.

Mr. SINCLAIR: It is easy to understand when you realize that the railways are there, the investment has been made, the threshold costs of maintenance have been taken care of, and they do not vary over a short term with a unit of traffic. We on the railways cannot go out and upgrade any track to enable it to carry grain or any other commodity, and then cut it off as you would turn off a tap.

Senator ASELTINE: If it was wheat, where would the railways be then?

Mr. SINCLAIR: I know the railways have made substantial amounts of money, and I believe the farmers who have grown grain have made large amounts of money in certain areas, in the growing of grass seed and clovers of various types.

Senator ASELTINE: But there would not be the volume that there would be in wheat and other grains. You have had your overhead charges the same right along.

Mr. SINCLAIR: I was talking about the alternative to rapeseed, not the alternatives to wheat. The alternatives to wheat are of course many. We have seen many changes in the modernization of agriculture, and a shifting towards specialized crops that are not covered by the Crowsnest Pass rates.

Senator PEARSON: Supposing there were a more efficient way of transporting grain than by rail, what would happen to the railways if they lost the grain trade?

Mr. SINCLAIR: May I take it this way, senator: If, for instance, we could envisage the economic movement of grain by pipeline—and this, quite frankly, has been looked into, and it has been decided that it is not economical at the present time because of technological problems—either in solution and then dried, or under air, or whatever method was adopted, what would happen to the railways? They would shrink their plants to handle the traffic for which there were economic rates.

Senator ASELTINE: What about your hundreds of thousands of employees?

Mr. SINCLAIR: As economic changes have taken place every business has had to adjust to meet those changes. The royal commission gave consideration to this question, and concluded that for the foreseeable future the railways are and will continue to be the economic method of moving grain in volume. So, as long as the railways remain the economic method of moving grain, we in the railway industry think it unfair and unjust to be compelled to operate and move this very large crop in volume at uneconomic rates.

Senator HORNER: May I ask you if you submitted a brief to the House of Commons or a committee of that house?

Mr. SINCLAIR: No sir.

Senator WOODROW: This is the only place you have submitted a brief?

Mr. SINCLAIR: This was the only place we had an opportunity to do so, because when the bill was considered in the other house it was not referred to a standing committee.

Senator EULER: Mr. Chairman, may I make an observation? I think we have gone pretty far afield, perhaps justifiably so, but the issue to me is reasonably simple.

The first question is, is rapeseed a grain? In spite of what was decided by the Board of Transport Commissioners, I have not a great deal of difficulty in my own mind in deciding that it is a grain.

The other argument, that it was not produced in 1897 when the agreement was made on the Crowsnest Pass rates, does not appeal to me very much because of the fact that since that time many other commodities not produced prior to that date have been given the benefit of the Crowsnest rates.

Believing that rapeseed is a grain, and that the other argument does not apply, I would say that the bill is in order, and that it would constitute discrimination against rapeseed if it were not put on the same basis as other grain.

Mr. Sinclair has made the argument that these rates are non-compensatory. I might very well agree with him on that point. I would certainly agree that rates made back 60 odd years ago are no longer realistic. He says that rates should not be frozen or made statutory. As a principle, I think that is absolutely sound. If they should not be statutory or frozen, is not the proper remedy now to unfreeze them? That would involve a change in the present law, and would not of course get the approval of some of my friends from

western Canada. I am not definitely arguing that point. But if it is correct that the railways are operating at non-compensatory rates, the remedy is to make a new agreement and vitiate the old one altogether.

Some senators may recall that when I was a member of the House of Commons I was one of those who insisted that the Crowsnest Pass agreement should be carried out. I think at the time it was intended to vary or repeal the agreement. I do not know whether or not I was right in my stand at that time, because I am now quite willing to admit that the Crowsnest rates are not now compensatory. If they are not, then the law should be changed. But as long as the law remains as it is, I think rapeseed should fall in line with other grain and benefit under the Crowsnest Pass Agreement.

The CHAIRMAN: On that point, Senator Euler, our Law Clerk has put before me the Canada Grain Act, which includes a schedule which gives the grains covered by that act. It includes Canada rapeseed and sample Canada rapeseed.

Senator EULER: So it is already recognized.

Senator ROEBUCK: But it is recognized for a special purpose in that act. It does not define "grain".

The CHAIRMAN: It does define grain.

Senator ROEBUCK: For the purpose of that act.

The CHAIRMAN: I was answering Senator Euler when he said he thought rapeseed should be included in the category of grain.

Senator ROEBUCK: And I am pointing out that the definition there is for the purpose of another act.

Senator EULER: Railways are now carrying the products of rapeseed under the Crowsnest rates.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, may I point to page 5 of the witness's brief, where he quotes the findings of Chief Commissioner Kerr as follows:

It is therefore my view that the word "grain" in the Crowsnest Pass Act and agreement and in Section 328(6) and (7) of the Railway Act does not include rapeseed and I so find.

Senator ROEBUCK: That was after a thorough consideration of the situation.

Mr. SINCLAIR: You see, Senator Connolly, you ask a question here which I think has been dealt with. You have to take the word in relation to the act in which it is found to get its definition, and you cannot go to another act, and then apply the definition to another act for the purpose of interpreting the Railway Act.

Senator ROEBUCK: That is a well known legal principle.

Mr. SINCLAIR: The question was asked as to why the products of rapeseed get the Crowsnest Pass rates, and why there has been the extension. I disagree with the statement made by Mr. Ross when he said that these commodities were interpreted to be grain and flour by the railroads. That is wrong. They were not interpreted to be grain and flour by the railroads. The railroads found themselves in the position where under subsection (7) of section 328 as it now is that the discrimination which was justified by statute was withdrawn, and the statutory defence to unjust discrimination was withdrawn. This forced the railways to extend to the dried beet pulp, brewer's dried grain, and beet pulp residue these rates, because they were in competition with shorts and middlings which are by-products of the milling industry, and flour. It was in this way that by statute in 1925 it was extended to include rapeseed meal. But, rapeseed meal does compete with dried beet pulp residue, and commodities of that kind. It is not because the railways recognized it as grain and flour. This is a case of unjust discrimination, and the application of another section of the Railway Act, namely, Section 328(7).

Senator EULER: Because of competition? The product of the rapeseed was competing with some other commodity?

Mr. SINCLAIR: Yes, that was covered by statute. That is correct.

The CHAIRMAN: Honourable senators, perhaps I might say a word about this bill. It is a Government bill, and in introducing it the Government, I suppose, must have known that it would involve a substantial loss to the railways. The Government has introduced this bill in the light of, or in the face of, the recommendation of the MacPherson Royal Commission as set out on page 6 of Mr. Sinclair's submission, which is to the effect that as Parliament has taken the responsibility for the establishment of the low statutory grain rates Parliament should ensure that the railways receive adequate compensation for the services they perform.

I suggest we can take one of only two attitudes with respect to this bill. One attitude would be that as this is a Government bill and therefore part of Government policy, we would hope, in its implementation of the report of the MacPherson Royal Commission, and the Government will take into account the fact that this will increase the burden on the railways in making them charge a non-compensatory rate for rapeseed grain, and will compensate the railways to that extent.

Senator BEAUBIEN: The Government is already doing that.

The CHAIRMAN: The other attitude would be that we refuse to consider this bill until the Government had, in fact, stated it would compensate the railways for this addition to their burden. Those are the only two views we can take in respect to this bill.

Senator HORNER: I am not prepared to admit that the railways are carrying it at a loss.

The CHAIRMAN: The MacPherson Royal Commission says that they are, Senator, and it says that where, for reasons of public policy, the railways are forced to carry commodities at a statutory rate which is lower than that which is compensatory to them, they should be compensated.

Senator HAIG: Mr. Chairman, I think this committee should stand the bill for another day, if necessary, or for two days, and ask the Government how it intends to meet this proposition.

Senator HORNER: I disagree with that.

Senator HAIG: You have a right to think what you like, and I have a similar right. I am quite willing to give the farmers of Canada all the possible help that my vote can give them, but I am not going to steal from another man in order to help them. That is my answer. We can steal by law just as we can steal by other means. Mr. Sinclair claims that we are stealing. He does not say it in those words, but that is what he means. He says that we are stealing from the railway companies by restricting them to a rate by which they lose money.

This bill has been put to us by the Government, and I think we should have some representation from somebody who can tell us why we are to do this now. I have not heard any Government speaker get up and say why this bill should be passed. It was not introduced by anybody privately. It is a Government bill, and I am a supporter of the Government. I did my best to help elect them, and I have been doing my best to keep them in power, but I am not going to steal from anybody else.

I am at a loss to know how to vote on this bill. I would like to pass it, but I do not want to take away from somebody for the benefit of somebody else. Mr. Sinclair tells us that this rate is non-compensatory. If this bill is passed how are the railways to be recompensed. If the people of Canada, in order to help the farming community, put such a freight rate into effect, then the people of Canada should have to pay the loss. That is the sensible thing.

Senator HORNER: It is not a question of that at all. It is a question of declaring it a grain. The whole question can come up later on, as Senator Euler has said, and can be considered then. If every pound of rapeseed grain in western Canada was ground into rapeseed meal it would be hauled at the rate of other grain. This whole argument is beside the question entirely.

Senator PEARSON: This bill is a Government bill, and it was passed unanimously in the other place. There is no need for a minister to come here.

The CHAIRMAN: I wonder whether it might not, perhaps, help the committee if a minister of the Government was asked to come here, so that we could tell him that the railways have expressed to us the view that they will lose \$2.5 million which they can ill afford to lose, and ask him if the Government will take into consideration the question of additional compensation.

Senator ASELTINE: If it was passed unanimously then everyone was in favour of it. I am in favour of it. Let us pass the bill.

The CHAIRMAN: Senator, we are not here to collect votes.

Senator KINLEY: That has been decided by votes.

Senator ROEBUCK: I would like to express my position. I am not a partisan to either side. I do not come from the west. I come from the province of Ontario, and the province of Ontario and the province of Quebec will have to pay the cost if the railways are compensated for the loss which they will incur as a result of this legislation. I am not particularly concerned with the view of the Government. The Government may be searching for votes in the west. I don't know. I don't care what their position is or what the Government may say to us later on as to how they are going to compensate. I am speaking on behalf of the people I think I represent, and I am not prepared to be generous to anyone. I want to be just, and is it just to the taxpayers of the country at large to ask them to require the railways to carry grain, or whatever it is, for less than its cost and have all the rest of the businesses pay the loss? I think that is unjust. Not only that, we in Parliament are continuously asked for grants to keep our railroads on their feet, to stop them from going into bankruptcy, but I don't think this is the time when we can be generous. I think we ought to wait before passing this bill, if we ever pass it, until we have the advantage of reading the MacPherson Report. What is the hurry? This thing has been going on for a number of years. The rapeseed people have been making money. Their acreage has been rapidly increasing. They are not in financial straits, and the railways are in financial straits. I think we should delay the passage of this bill. If you want to call the Government here and ask them what they think about it and what they are going to do with our money in compensating the railways, all right, if you think that will throw any light on it, but whether that light comes or not I think we should, in the interests of the people whom we represent, the people of Canada, delay action in connection with this bill until the MacPherson Report has been received and we have read it.

Senator STAMBAUGH: Mr. Chairman, because of some of the statements that have been made—particularly by Senator Roebuck—with regard to these non-compensatory rates, it seems that about 90 per cent of our argument here has been on the Crowsnest Pass Agreement, and so I hope I will be permitted to enter into this argument a little. In the first place the railroads received some 22 million acres of land, not entirely for building the Crowsnest Pass but for building the railroad, and over \$100 million. They still have the mineral rights on those 22 million acres of land. They reserved those rights when they sold the land and they are getting somewhere between \$5 million to \$10 million a year from those rights. All this money has been paid

to the railroads and they are still collecting and it should be put towards the cost of hauling grain. If you add all the money they have received from the 22 million acres—

The CHAIRMAN: By "they" you are talking about the Canadian Pacific?

Senator STAMBAUGH: Well, the Canadian Pacific.

Senator PEARSON: Or the Canadian National.

Senator STAMBAUGH: The Canadian National received some. But if they are losing so much money on the hauling of grain then the C.P.R. should send all their grain over to the C.N.R. at the first opportunity. There isn't a place in western Canada where they could not get over to the C.N.R. within less than 50 miles, and they should ship their grain to the C.N.R. and let that company haul it and see how much is made. But we should at least take into consideration this \$5 million to \$10 million which is derived annually from the mineral rights I have spoken about, and if that amount was added to the amount of freight rates they are getting there certainly would not be any loss in the hauling of grain.

Senator HORNER: I move we report the bill.

The CHAIRMAN: Two suggestions have been made. One is that we defer consideration of the bill. In that connection I do want to point out that we cannot defer very long, for the bill does say that it shall come into force on August 1, 1961. The second suggestion, which is really a motion by Senator Horner, is that we report the bill. That is the only motion before the committee at the moment.

Senator STAMBAUGH: I will second Senator Horner's motion.

The CHAIRMAN: Are you ready to vote on that?

Senator ROEBUCK: Yes, let's see where we stand.

The CHAIRMAN: It has been moved by Senator Horner, seconded by Senator Stambaugh, that we report the bill. Is it your pleasure to adopt the motion?

Senator ROEBUCK: No.

The CHAIRMAN: Then I shall take a vote. Those honourable senators who are in favour of reporting the bill please raise their hands.

The CLERK OF THE COMMITTEE: 12.

The CHAIRMAN: Opposed?

The CLERK OF THE COMMITTEE: 5.

The CHAIRMAN: The motion is carried. Shall I report the bill without amendment?

Hon. SENATORS: Carried.

The committee thereupon adjourned.

APPENDIX "A"

MEMBER LINES OF RAILWAY ASSOCIATION OF CANADA

Algoma Central & Hudson Bay Railway Company
Canadian National Railways
Canadian Pacific Railway Company and its leased lines
 Dominion Atlantic Railway Company
 Quebec Central Railway Company
 Esquimalt and Nanaimo Railway Company
Great Northern Railway Company
Michigan Central Railroad
New York Central System
Northern Alberta Railways Company
Ontario Northland Railway
Pacific Great Eastern Railway
Quebec North Shore & Labrador Railway
The Chesapeake and Ohio Railway Company (Northern Region)
The Midland Railway Company of Manitoba
The Toronto, Hamilton and Buffalo Railway Company
Wabash Railroad Company
White Pass & Yukon Route



Fourth Session—Twenty-fourth Parliament
1960-61

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE ON



TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill C-121, intituled:

An Act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1961 to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

The Honourable A. K. HUGESSEN,
Chairman.

THURSDAY, July 13, 1961.

WITNESSES:

Mr. Pierre Taschereau, Solicitor for the Canadian National Railway
and Mr. R. T. Vaughan, Assistant to the President, C.N.R.

APPENDIX:

Capital Budget and Estimated Income Account—1960.

REPORT OF THE COMMITTEE.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman

The Honourable Senators

*Aseltine	Gladstone	Méthot
Baird	Gouin	Molson
Beaubien (<i>Provencher</i>)	Grant	Monette
Bishop	Haig	Paterson
Blois	Hardy	Pearson
Bouffard	Hayden	Power
Bradley	Horner	Raymond
Brunt	Hugesen	Reid
Buchanan	Isnor	Robertson
Campbell	Jodoin	Roebuck
Connolly (<i>Ottawa West</i>)	Kinley	Smith (<i>Kamloops</i>)
Connolly (<i>Halifax North</i>)	Lambert	Smith (<i>Queens-</i> <i>Shelburne</i>)
Courtemanche	Lefrançois	Stambaugh
Dessureault	*Macdonald (<i>Brantford</i>)	Veniot
Emerson	Macdonald (<i>Cape Breton</i>)	Vien
Euler	McGrand	Woodrow—50.
Farris	McKeen	
Gershaw	McLean	

50 members

(Quorum 9)

**Ex Officio member.*

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate.

WEDNESDAY, July 12, 1961.

"A Message was brought from the House of Commons by their Clerk with a Bill C-121, intituled: "An Act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1961 to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company", to which they desire the concurrence of the Senate.

The Bill was read the first time.

The Honourable Senator Macdonald (*Cape Breton*) moved, seconded by the Honourable Senator Higgins, that the Bill be read the second time now.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Macdonald (*Cape Breton*), moved, seconded by the Honourable Senator Higgins, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, July 13, 1961.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 10.30 A.M.

Present: The Honourable Senators: Hugessen, *Chairman*; Aseltine, Blois, Brunt, Buchanan, Connolly (*Ottawa West*), Dessureault, Gouin, Kinley, Lambert, Macdonald, McKeen, McLean, Paterson, Pearson, Smith (*Queens-Shelburne*), Smith (*Kamloops*), Stambaugh and Woodrow.—19.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel. The Official Reporters of the Senate.

Bill C-121, An Act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1961 to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company, was read and considered clause by clause.

On Motion of the Honourable Senator Brunt, seconded by the Honourable Senator Blois, it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of their proceedings on the said Bill.

Heard in explanation of the Bill: Mr. Pierre Taschereau, Solicitor for the Canadian National Railways, Mr. R. T. Vaughan, Assistant to the President, C.N.R.

The Capital Budget and Estimated Income Account of the Canadian National Railways for the year 1961 was produced. (*See appendix*)

After discussion it was Resolved to report the Bill without any amendment.

At 12.30 P.M. the Committee adjourned to the call of the Chairman.

Attest.

Gerard Lemire,
Clerk of the Committee.

REPORT OF THE COMMITTEE

THURSDAY, July 13, 1961.

The Standing Committee on Transport and Communications to whom was referred the Bill C-121, intituled: "An Act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1961 to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company", have in obedience to the order of reference of July 12th, 1961, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

THE SENATE

THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, THURSDAY, July 13, 1961.

The Standing Committee on Transport and Communications, to whom was referred Bill C-121, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1961 to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company, met this day at 10.45 a.m.

Hon. A. K. Hugessen in the Chair.

On motion duly moved and seconded, it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On motion duly moved and seconded, it was agreed that 800 copies in English and 200 copies in French of the Committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, as in the past we have a number of officials of the Canadian National Railways present to explain any aspect of the bill that honourable senators may wish to have explained to them. These are, Mr. Pierre Taschereau, counsel, Mr. R. T. Vaughan, assistant to the president, Mr. W. G. Cleevely, the budget supervisor, also Mr. A. P. Hawkin, the director of financial affairs of the Department of Finance, and also Mr. Walter Smith, executive representative in Ottawa of the Canadian National Railways.

I am told that Mr. Pierre Taschereau is the man who will sort of lead off with a general explanation. Shall we hear Mr. Pierre Taschereau?

Hon. SENATORS: Agreed.

Mr. PIERRE TASCHEREAU, Counsel, Canadian National Railways: Mr. Chairman and honourable senators, the legislation governing the C.N.R. requires the company to submit an annual budget to the Governor in Council for approval and the Minister of Transport to lay that budget before Parliament. The budget is in two parts. The first part is the capital budget and the second part, which is called the estimated income account is our operating budget.

The principal purpose of the bill before you is to authorize the provision of moneys to meet the capital expenditures that the capital budget calls for. Since it is generally not possible to obtain Parliamentary approval until mid-year the bill also gives the C.N.R. interim financing authority for the first six months of the ensuing year. Finally, as a matter of convenience, the financial requirements of the T.C.A. are also included in the bill. Except as to the amounts, and except for clauses 11, 12 and 13, which are new, the bill is in the same form as those which have been passed annually for a long time. Clause 11 extends for one more year the period in respect of which no interest will be payable on a \$100 million debenture issued by the C.N.R. to the Government pursuant to section 4 of the Capital Revision Act.

Senator BRUNT: \$100 million, did you say?

Mr. TASCHEREAU: Yes, \$100 million.

Senator SMITH (*Queens-Shelburne*): Was that clause not in last year's bill?

Mr. TASCHEREAU: No, it was another one. I am going to speak about it. It is clause 12.

Clause 12 is more or less a re-enactment, as the Senator has just pointed out, of a provision which was contained in last year's Financing and Guarantee Act, continuing for one year the authority of the Government to buy preferred stock from the C.N.R.

Senator PEARSON: How long has the Canadian National Railways Capital Revision Act been in force now?

Mr. TASCHEREAU: This dates back to 1952, so it has been in force for practically 10 years.

Senator PEARSON: Last year was the final year?

Mr. TASCHEREAU: There were two provisions which expired, one at the end of 1960 and one at the end of 1961.

Senator PEARSON: I see.

Mr. TASCHEREAU: The Capital Revision Act was to be reviewed at the end of 10 years. Pending further study the Government proposes to keep alive these two provisions that I have just mentioned for one additional year.

Clause 13,—

The CHAIRMAN: Those are clauses 11 and 12?

Mr. TASCHEREAU: Yes, sir.

Senator BRUNT: You do not pay any interest on this now, up to January 1, 1961, is that right?

Mr. TASCHEREAU: That is right.

Senator BRUNT: So you are just taking another year?

Mr. TASCHEREAU: That is right.

The CHAIRMAN: Clause 13?

Mr. TASCHEREAU: Clause 13 is designed to take care of our requirements for the refunding of securities which will mature in 1962. The C.N.R. Refunding Act of 1955 contains refunding authority to the extent of \$200 million. This authority will have been nearly exhausted by the end of 1961.

On January 1, 1962 we will have to refund some \$30 million-odd of securities, and clause 13 would enable us to finance this refunding operation.

Senator BRUNT: You are just asking for the extra \$30 million, and that is all?

Mr. TASCHEREAU: Yes. We just want authority to issue substituted securities for those that will mature.

The CHAIRMAN: A refund of \$30 million?

Mr. TASCHEREAU: Yes.

With the committee's permission, I would now like to give the committee a general explanation of the main provisions of the bill, which are clauses 3, 4 and 6.

You will notice that the figure in clauses 4 and 6 of \$76,800,000 does not correspond with any of the figures appearing in clause 3. The reason for this is that clause 3 deals with the total amount of dollars in play in the capital projects that are planned by the C.N.R. for the 18-month period from January 1, 1961 to June 30, 1962.

Senator BRUNT: You said the total number of dollars—did you say "in play"?

Mr. TASCHEREAU: Yes, "at play," I should say.

Mr. VAUGHAN: Current.

The CHAIRMAN: Involved?

Mr. TASCHEREAU: Yes.

Clauses 4 and 6 deal with a different phase of the matter, and that is external financing of these capital projects by borrowings from the public and from the Government. While the capital program for the calendar year 1961 involves a sum of \$178,900,000 as you will see from clause 3(1)(a), and a sum of \$76 million, as you will see from paragraph (b) of clause 3, or a total of \$254,900,000 for the entire 18-month period, the C.N.R. has available to finance these capital projects sources other than borrowings from the public or the Government. They consist of depreciation accruals, amortization of discount on funded debt, and so on, which, over a period, will provide \$162.1 million.

Senator BRUNT: That is not referred to in the bill.

The CHAIRMAN: In the explanatory note opposite page 3:

Depreciation accruals and amortization—

They come under revenue, do they?

Mr. TASCHEREAU: Yes.

Mr. VAUGHAN: This bill gives us authority regarding them.

Mr. TASCHEREAU: If you deduct \$162 million from the total capital requirements of \$254.9 million, you will obtain a figure of \$92.8 million.

We will not, in our estimation, be able to complete in 1961 some portion of the capital projects, and that situation will arise for several reasons, such as unavailability of materials, labour and so on. We estimate the dollar value of the work which will be uncompleted at \$16 million. So deducting that figure of \$16 million from the \$92.8 million I have just mentioned, you arrive at a figure of \$76.8 million, which is the amount mentioned in clause 4 and clause 6. It is also the figure that is shown at the bottom of the explanatory notes, on the back of page 2 of the bill. This sum of \$76.8 million is the maximum amount the Minister of Finance will have authority to lend to the C.N.R. and that the C.N.R. will have authority to borrow from either the minister or the public under the provisions of this bill.

Senator BRUNT: This figure is very close to the \$76 million referred to in paragraph 2, but has no relation to it?

Mr. TASCHEREAU: Yes, and that is why I wanted to give this explanation, because it is very misleading.

Mr. VAUGHAN: It is a coincidence.

Senator BRUNT: It just happened that way?

Mr. TASCHEREAU: Yes. In actual fact, the C.N.R. will borrow much less than \$76.8 million because we expect to sell to the Government, during the period in question, preferred stock to the extent of \$32 million. What the bill does, therefore, in practice, is to authorize the C.N.R. to borrow money and issue securities to the extent of \$44.8 million, in order to finance the capital projects extending over a period of 1½ years and amounting, in total, to \$254.9 million.

Senator BRUNT: Mr. Taschereau, could you tell me if there is any formula you have for arriving at the figure of \$32 million, with respect to the sale of preferred stock?

Mr. TASCHEREAU: This is based on section 6 of the Capital Revision Act, which provides that the Minister of Finance will purchase preferred stock from the C.N.R. at a rate of 3 per cent of the gross revenues of the C.N.R. during the year. The Minister of Finance will purchase preferred stock from the C.N.R. at the rate of three per cent of the gross revenue of the C.N.R. during the year. That is done on a monthly basis.

Senator BRUNT: This is an estimate of \$32 million?

Mr. TASCHEREAU: Yes.

Senator BRUNT: Can you borrow this money at any time up to the 30th day of June, 1962?

Mr. TASCHEREAU: That is right.

Senator BRUNT: You do not have to borrow it in your fiscal year, which ends on the 31st day of December, 1961?

Mr. TASCHEREAU: No sir.

This amount I have just mentioned of \$44.8 million, which we will have authority to borrow, is not for the account of the C.N.R. alone, but includes the T.C.A., as I mentioned at the beginning.

The senators may be interested to know the details. The C.N.R. borrowing for 1961 will amount to \$14.1 million, and for the first six months of 1962 it will be \$1 million. The total borrowing on account of the C.N.R. under authority of this act for the 18-month period will therefore be \$15.1 million.

The CHAIRMAN: Perhaps at this point you can tell us what was the equivalent figure for the borrowings last year, Mr. Taschereau?

Mr. TASCHEREAU: I will be glad to do that, sir. If I may, I shall finish this explanation and give it afterwards.

The CHAIRMAN: Yes. I thought the committee might like a comparison of your borrowing requirements for the two years.

Mr. TASCHEREAU: Yes. There is quite a difference.

T.C.A. borrowing for 1961 will be \$19.7 million, and for the first six months of 1962 it will be \$10 million, or a total for T.C.A. of \$29.7 million. This is the lowest budget we have had for many years.

The CHAIRMAN: That is what I want to get at.

Senator BRUNT: Is this the total of your borrowings? You have made no provision to borrow in connection with the operation of your hotels. You do not expect you will have to borrow anything there. And with respect to the Grand Trunk Western Lines, is that included?

Mr. TASCHEREAU: Perhaps I might deal with this point later.

Senator BRUNT: Go ahead.

Mr. TASCHEREAU: Continuing on this point, that this is our lowest budget for a long time, I would like to explain that the reduction is substantial, and I shall bear that out with the figures that the chairman has requested. It has been made possible by the completion in 1960 of dieselization and of many other large modernization programs; also by the fact that due to a decline in traffic experienced last year our requirements for new equipment and facilities have become much smaller. The result is that, excluding new branch line construction, we expect to be able to finance our complete general capital program out of self-generated capital and the proceeds of sale of preferred stock. We feel that we are justified in financing new branch line construction by borrowings, because our policy continues to be that branch lines should stand on their own feet economically.

Senator BRUNT: Would you give us a table with the new branch line constructions on it? Is it in this document you handed out?

Mr. TASCHEREAU: It is in the budget, yes.

The CHAIRMAN: I think it is page 4, Senator Brunt.

Senator BRUNT: Yes.

Mr. TASCHEREAU: If the committee will permit me, I think it might be useful if I were to reconcile the figures appearing in the copy of the budget you have before you with those that appear in clause 3 of the bill. If you look at page 1 of the budget—

The CHAIRMAN: That is this typewritten document that was circulated to the members of the committee?

Mr. TASCHEREAU: —you will find at the bottom of the page under 1961 expenditures the figure \$162,900,000. This represents the capital requirements for 1961 for both C.N.R. and T.C.A. It is made up of the amount of \$178.9 million, which appears in paragraph (a) of clause 3, less the 16 million which I mentioned at the beginning and which represents work that we expect we will not be able to complete during the year.

Senator BRUNT: You are speaking of the calendar year?

Mr. TASCHEREAU: I am speaking of the calendar year 1961.

Senator BRUNT: And that is also your fiscal year—they coincide.

Mr. TASCHEREAU: Yes.

As to the first six months of 1962, you will find on page 2 of the budget, just below the middle of the page, the figure \$76 million.

The CHAIRMAN: Under "January 1, 1962 to June 30, 1962"?

Mr. TASCHEREAU: That is right.

That figure is shown in paragraph (b) of clause 3. This represents the capital requirements of the C.N.R. for the first six months of 1962, and includes T.C.A.

The last figure on page 2 of the budget, being \$44 million, is shown in paragraph (c) of clause 3. It represents what we sometimes refer to as our commitment authority—it enables us to meet commitments—but under subclause (5) of clause 3 the money will have to be included in a subsequent budget in the year in which it will become due.

The CHAIRMAN: So, it is not part of the figures for this year. It is the authorization that you are seeking to commit yourself for the next year, in respect of which next year you will come to us and ask for the money?

Mr. TASCHEREAU: That is right.

As to the comparisons with last year, if the committee will be patient with me I can give under each heading the corresponding figure for last year. On page 2 of the bill, under Gross Capital Expenditures, the amount required for road property this year is shown as \$122 million odd. Last year the corresponding amount was 170 million odd. The second figure, under branch line construction, this year being \$14.5 million, last year was \$2.2 million. The third figure, under hotels, being this year \$1.7 million, last year was \$3.3 million.

Senator BRUNT: Was this chiefly in Halifax?

Mr. TASCHEREAU: Yes, most of it this year is on the completion of the extension to the Nova Scotian hotel.

On equipment, the figure this year is \$14.2 million, and last year it was \$34.9 million. Mr. Vaughan reminds me that details as to hotel capital requirements are shown on page 5 of the budget.

With respect to investment in affiliated companies you will find that this year T.C.A. requirements are \$19.7 million, and last year the T.C.A. requirements amounted to \$82.3 million. "Others" this year are \$5.9 million and last year they were \$6.8 million, the total this year being \$178.9 million, as against \$299,950,000 last year.

Are these the figures you were asking for?

The CHAIRMAN: Thank you. Yes, I think that is quite an interesting comparison.

Mr. TASCHEREAU: My colleagues and I will be very pleased to answer any questions on either the bill or the budget.

Senator PEARSON: In the budget you have an amount for highway crossing protection—

Senator BRUNT: On what page is that?

Senator PEARSON: Page one of the budget.

The CHAIRMAN: I wonder whether it would not be more in order if we went through this budget page by page.

Senator PEARSON: Yes, I am asking a question on the budget now.

The CHAIRMAN: Yes. After your question is answered perhaps we can go back to page one of the budget.

Senator KINLEY: Are you referring to the budget or the act?

The CHAIRMAN: The suggestion is that we go through the budget page by page.

Senator KINLEY: Supposing we want to ask a question with respect to a clause in the act?

The CHAIRMAN: You can ask those questions when we deal with the bill clause by clause. Shall we now consider this typewritten budget page by page?

Some hon. SENATORS: Agreed.

The CHAIRMAN: Dealing with page one of the capital budget for the year 1961 this, in all its details, is really a summary, is it not, Mr. Taschereau?

Mr. TASCHEREAU: Yes, it is. This is the parliamentary budget which gives in round figures what we anticipate we will require in the way of capital under these various items.

Senator BRUNT: May I suggest that if any honourable senators have any questions in connection with any item they should ask them. If there are no questions with respect to a particular item then we should just let it go.

The CHAIRMAN: The only point I am making, Senator Brunt, is that page one is a sort of a generalized budget, and the details are to be found on the succeeding pages.

Senator PEARSON: There are no details with respect to highway crossing protection. It is a small item, but it is the only one that shows a small increase this year. I want to ask how extensive that protection is which is taking place across the country now.

Mr. TASCHEREAU: There are many projects, Senator, which are under study actively before the board of Transport Commissioners. The figure that we have inserted in the budget here is based on what expectations we have of the Board of Transport Commissioners ordering us to provide crossing protection.

Senator PEARSON: With respect to that, do you anticipate that one of these years you will have a much greater budget for that?

Mr. TASCHEREAU: It all depends on the particular projects that are under study in a particular year.

Senator LAMBERT: May I ask if there is any contemplation of technical improvements taking place in the protection of railway-highway crossings—any technical improvements over the present system of signals.

Mr. VAUGHAN: Senator, I just want to say that you should understand that all of these safety measures are under the jurisdiction and direction of the Board of Transport Commissioners. There is the Grade Crossing Fund—I think that is the name of it—in which I think there is a sum of \$20 million—

The CHAIRMAN: I think last year it was increased substantially.

Mr. VAUGHAN: Yes, probably it was, so that the figure you see in our budget does not represent all of the money that might be expended in a year for highway crossing protection.

Senator LAMBERT: May I ask for information with respect to technical or scientific development? There has been a very large increase in the number of accidents at railway crossings, and I am wondering if there is any thought on the part of the people responsible—

Mr. VAUGHAN: Of course, the Board of Transport Commissioners has technical officers devoted to safety, and so have the railways. Safety is one of our prime concerns also. You mentioned technical improvements. Well, you have the lights and the wig-wag signals, and you have the crossing arms. The tendency today, of course, is to have the crossings separated by what is called a grade separation. That, of course, is the ultimate, but there are thousands and thousands of crossings in Canada, so you can understand this is a huge problem. I understand your point, and it is an important point.

Senator LAMBERT: As a result of my own observation in the province of Ontario I know that there are certain crossings of highways where accidents occur far too frequently, and I think that some supervision should be exercised, and those danger spots selected and protected adequately.

Mr. TASCHEREAU: I think, Senator, you might be interested with respect to this question of technical improvement in knowing that many things are going on. There is one improvement that comes to my mind and that is the reflectorization of railway crossing signs. The Board of Transport Commissioners has that matter very much under active consideration and has, as a matter of fact, issued orders—the first one being issued in 1959—ordering the railways in Canada to reflectorize highway crossing signs at a great number of crossings. I have a note here that the first order designating certain railway-highway grade crossings where these reflectorized signs were to be installed, was issued in 1959, and then another order was issued in 1960 which revised the number of crossings that were to be reflectorized. These orders ordered the C.N.R. to make the installation at 1,100 particular crossings. That is one instance of improvement to safety, I would say.

Senator LAMBERT: It is something, anyway.

Mr. VAUGHAN: The other thing, Senator, is the reflectorization of freight cars. Reflecting tape is put on the freight cars. That is subject to a board order also.

Senator LAMBERT: There is something in this that brings it within the jurisdiction of the provinces as compared with that of the railways, and I am referring now to the proximity of highly travelled highways paralleling main railway lines. I know of a case where at least twice a day a dairy farmer has to move quite a large herd of cattle from one side of the road to the other, and in so doing cross the railway tracks, in order to get to his farm. I am satisfied that a very dangerous situation is involved in that circumstance, and I think some initiative should be taken about it.

Mr. VAUGHAN: If I may just say, I think the railway has made substantial improvements over the years in association with the funds provided in the Grade Crossing Act and the orders of the Board of Transport Commissioners. This is a subject which is given foremost consideration.

Senator BRUNT: Mr. Vaughan, is the construction of a grade crossing always initiated and done under an order of the Board of Transport Commissioners or is it ever initiated by the railroad on its own without an order, or by a municipality on its own without an order?

Mr. VAUGHAN: I think I would say in answer to that, subject to Mr. Taschereau's correction, that most, if not all, are initiated by a body other than the railway, but if the railway were building a new line into an area it would be a different situation.

Mr. TASCHEREAU: For instance, in the Toronto access lines we have taken the initiative and gone to the board.

Senator BRUNT: By having the Board of Transport Commissioners do most of them, it gets pressure off everybody.

Mr. VAUGHAN: On the initiative of the province, municipality or city, or as the case may be.

Senator McKEEN: Which is the field in which your greatest expenditure is on, old highways that have been there for years or new highways which are being put in now? I am referring, of course, to railway crossings.

Mr. TASCHEREAU: I would think it is about half and half.

Senator BRUNT: You are using everybody alike. Could we move along unless someone else has something with respect to the first page?

The CHAIRMAN: Has any honourable senator any question with respect to the first page? You are satisfied, Senator Pearson?

Senator PEARSON: Yes.

Senator BUCHANAN: What about the branch lines?

The CHAIRMAN: We will come to those in detail. On page 2 we have the "Statement of Financing Authority required with respect to Capital Budget". These are just figures and not details on particular expenditures, are they?

Senator BRUNT: I think they are self-explanatory, are they not?

The CHAIRMAN: The branch lines are dealt with somewhere else, but there is a reference to them here.

Mr. VAUGHAN: That page is designed to explain the sources of the fund.

The CHAIRMAN: Shall we pass page 2?

Senator SMITH (*Queens-Shelburne*): I have some information I would like to get with respect to page 2. I wonder if Mr. Taschereau has any information with him regarding T.C.A.? I have in my mind the financing requirements in connection with the gross capital expenditures for January 1, 1962, to June 30, 1962, \$10 million. Now, the total amount for the full year 1961 was \$19 million. In other words, it seems we are authorizing capital expenditures for T.C.A. at the same rate as is being proceeded with in 1961. What is this for? Are we going on with the program of new aircraft? That is what I had in mind.

Mr. TASCHEREAU: Before I answer your question, sir, directly, may I point out that while T.C.A. financial requirements are included in the bill, T.C.A. runs its own budget independently and submits a separate budget and makes its own representations on it.

Senator SMITH (*Queens-Shelburne*): Yes.

Mr. TASCHEREAU: I would be glad, though, to answer your question by reading from the budget submitted by T.C.A. this year?

Senator SMITH (*Queens-Shelburne*): Just briefly.

Senator BRUNT: It is pretty well for new aircraft, isn't it, Mr. Taschereau?

Mr. TASCHEREAU: The largest single item, as I recall—I am just trying to put my finger on T.C.A.'s budget—is for aircraft.

Senator SMITH (*Queens-Shelburne*): What proportion of the capital expenditure is that, 75 per cent?

Mr. TASCHEREAU: I would think it is about two-thirds.

Senator SMITH (*Queens-Shelburne*): That is what I had in mind. Have you any information as to what the deficit was last year of T.C.A.?

Mr. TASCHEREAU: It was, and I am just speaking from memory, just over \$2 million, with a forecast of a surplus for 1961 of one-half million dollars.

Senator BRUNT: Mr. Taschereau, on a cash flow basis was there any deficit in T.C.A. for last year?

Mr. TASCHEREAU: No.

Senator BRUNT: What was the surplus?

Mr. TASCHEREAU: I will try to find that. The net operating income for 1961 for T.C.A. was \$4,437,538.

Senator SMITH (*Queens-Shelburne*): Mr. Taschereau, was the increased cost which resulted in a deficit due to the extra large depreciation amounts which had to be written off on the new aircraft purchases? What is the principal reason as to why we had a deficit last year and that now we are looking for a surplus? I don't need detail.

Mr. VAUGHAN: We were just going to say that the officers of T.C.A. appeared in another place on this very point. Is it out of order to refer to that?

The CHAIRMAN: No.

Mr. VAUGHAN: If I could refer you to the Minutes of Proceedings and Evidence of the Sessional Committee on Railways, Airlines and Shipping, Volume 7, the officers who appeared there described—because of Mr. McGregor's illness they endeavoured to explain and answer the very question you asked. I would prefer not to endeavour to answer that, if I could defer.

Senator LAMBERT: Did Mr. Gordon attempt to answer any questions with respect to the interest or the share of the C.N.R. in T.C.A.?

Mr. VAUGHAN: Well, the C.N.R. really is the shareholder.

Senator LAMBERT: It is the largest shareholder.

Senator BRUNT: The only shareholder.

Mr. VAUGHAN: It is the only shareholder. Mr. Gordon appeared at the Trans-Canada Airlines Sessional Committee—

Senator LAMBERT: If I may interrupt, a year ago when this bill was before us Mr. Gordon was here himself.

Mr. VAUGHAN: That's right.

Senator LAMBERT: And he was asked a question with respect to the financial problem in connection with T.C.A., and one certainly got the impression he left, which was largely in the form of a shrug of his shoulders, that the C.N.R.'s influence in connection with the financing of the T.C.A. was not proportionate to the extent of its share and control of the stock of that organization.

Senator BRUNT: It owns all the stock.

Mr. TASCHEREAU: On this point, you may recall that the C.N.R. is the sole shareholder and also that it nominates five of the nine directors of T.C.A., the remaining four directors being appointed by the Governor in Council. So that we have representation on the board. Mr. Gordon is one of the directors of T.C.A., and when he has appeared before committees he has been endeavouring to explain matters connected with T.C.A. but without taking upon himself the responsibility of the submission and discussion of the budget in detail.

Senator SMITH (*Queens-Shelburne*): I suppose you do not have any information in answer to this question, whether or not the deficit this year was in greater part due to the increase in interest charges, the depreciation and operating costs on the new aircraft, or whether it was due in greater part to the drop in revenue due to competition from Canadian Pacific?

Mr. TASCHEREAU: The point is that there was a good deal of discussion in that other committee about it and a great deal of difference of opinion on this.

Senator SMITH (*Queens-Shelburne*): On the part of witnesses?

Mr. TASCHEREAU: On this particular point that you raise?

Senator SMITH (*Queens-Shelburne*): But a difference of opinion on the part of witnesses?

Mr. TASCHEREAU: No. Not on the part of witnesses, but between some of the members of the committee. That is one of the reasons why we would not like, since we do not represent T.C.A., to get into a similar discussion.

Senator SMITH (*Queens-Shelburne*): Mr. Gordon made a statement in that committee on that subject, did he?

Mr. TASCHEREAU: Yes.

Senator SMITH (*Queens-Shelburne*): In regard to the reference Mr. Vaughan made?

Mr. TASCHEREAU: Yes.

The CHAIRMAN: We are really being asked in this bill, as we have in previous years, to deal not only with a C.N.R. budget but a T.C.A. budget. Should we not insist on having a representative from the T.C.A. at future meetings of the committee?

Senator LAMBERT: I think we have had the general manager of T.C.A. on one or two occasions.

The CHAIRMAN: I think that next year we should expect to have someone from T.C.A. to answer T.C.A. questions, if any honourable senator wishes to ask questions about T.C.A.

Senator BRUNT: The answer to the honourable senator's question can be found in the T.C.A. report; it is self-evident if you look at the last report.

Senator SMITH (*Queens-Shelburne*): Sometimes financial statements are not self-evident in relation to the questions we have in mind.

The CHAIRMAN: We are still on page 2 of the bill, and that is only a summary.

Senator BRUNT: Yes.

The CHAIRMAN: When we come to page 3 we find a breakdown of the capital expenditures proposed in accordance with the different regions of the road, and different classes of capital expenditures. I can imagine that some honourable senators may have questions with respect to particular districts. May I for one start off under the heading of "Large terminals". I see that in your centre region you are proposing to spend nearly \$44 million. Is that in respect to the Toronto terminal or what?

Mr. VAUGHAN: Yes, that is in respect of the contemplated new hump yard and line north of Toronto.

Senator BRUNT: Mr. Vaughan, can you tell us briefly the boundaries of each region so we will know where we are at?

The CHAIRMAN: The Maritime district is from Halifax to Riviere du Loup, is it?

Mr. VAUGHAN: Yes. I was just going to show you the new map. As you may have heard, we just recently had a reorganization of the system, and we formerly had three regions while now we have five. I have a map here. In the Atlantic region it breaks off and goes east at Riviere du Loup?

Senator BRUNT: That is the Maritime district?

Mr. VAUGHAN: It is called the Atlantic region; and the new region in Central Canada is called the St. Lawrence region. These five regions really came into being at the first of the year, but I merely want to explain to you that you may have heard that we have a different organizational set up, and more regions than are shown here. Next year our budget will be cast in the role of these new five regions.

Senator BRUNT: Is that document available to honourable senators?

Mr. VAUGHAN: I have one here. Yes, they could be made available.

Senator BRUNT: Would you make a list of the members of the Transport and Communications Committee and send one to each of us?

Mr. VAUGHAN: If you would like to see one of these I will send it to you, because it is of interest and explains the new organizational set up.

The CHAIRMAN: In the meantime, we have the Atlantic region which goes as far as Riviere du Loup, and the central region goes from Riviere du Loup to Fort William, does it not?

Mr. VAUGHAN: That is right, sir.

The CHAIRMAN: And the western region, from Fort William to the Pacific?

Mr. VAUGHAN: That is right.

Senator SMITH (*Queens-Shelburne*): I cannot help expressing my curiosity. What is the \$238,800 for "New lines, diversions and abandonments" in the Maritime district?

Mr. VAUGHAN: Well, sir, there is a place known as Blue Bell, New Brunswick. There is a track diversion there to eliminate a tunnel and sharp curve.

Senator SMITH (*Queens-Shelburne*): One of my points was that there was no new line being run in a geographical district which was before not serviced?

Mr. VAUGHAN: That is right, sir.

Senator KINLEY: What about the Springhill line. I think there have been some negotiations for change in that line.

Mr. VAUGHAN: If I can remember the detail of that, that is a line that runs from Springhill Junction to the town of Springhill, and it was owned by DOSCO, and through its subsidiary, the Cumberland Coal Company, an application was made to the Board of Transport Commissioners for the abandonment of that line. I think it is about a month or two ago that the board issued a judgment to the effect to give them permission to abandon the line this August; I believe that is right, is it not, Senator Blois?

Senator KINLEY: That was DOSCO?

Mr. VAUGHAN: Well, whoever the applicant was, or the subsidiary, the Cumberland Coal Company; and that is about where that matter stands. We do not own that line.

Senator KINLEY: I thought they were taking it over.

Senator BLOIS: Wishful thinking!

Mr. VAUGHAN: I was going to say this, that there had been some representation, perhaps to that effect. We in that area have a very excellent trucking service that runs from Springhill Junction into Springhill, but if there are any industries that are going to develop there requiring the movement of carload traffic into Springhill, and there is economic justification for it, and there is some other owner of the line other than C.N.R., then we would be willing to switch into that area.

Senator BRUNT: You would be willing to provide switching privileges.

Mr. VAUGHAN: Yes. But there are some technicalities I have not filled in.

Senator KINLEY: In fact there is no passenger service into Lunenburg at the present time. You were considering a dayliner on the south shore from Shelburne to Halifax, and at a meeting I heard your officials explain the situation. It was at a time when you were planning passenger service to the town of Lunenburg, which is seven miles from Mahone Bay, and you intimated that you were going to try out this dayliner service, but nothing has been done up to now. Do you know anything about that?

Mr. VAUGHAN: I know that area; I am from Nova Scotia. I know that it is very beautiful country and also that there are very good roads. We did endeavour to make some studies of the passengers offering along that line. We were faced, of course, with an adequate and very speedy, and effective, bus service but we did nevertheless, as I say, endeavour to make some studies of the dayliner possibilities from Halifax to Shelburne, and the studies we have made so far did not indicate justification for placing a dayliner in that service.

I will say, though, that we do not have any extra dayliners or Budd cars; we have not ordered any more. I am not closing the door on that service for if there is a possibility for useful passenger service in that area then consideration will be given to it.

Senator KINLEY: You are still running a passenger service from Yarmouth to Halifax every day.

Mr. VAUGHAN: That is on the Halifax and Southwestern, is it not?

Senator SMITH (*Queens-Shelburne*): Just for the record, Mr. Chairman, Mr. Vaughan, will you tell us what position you hold in the Canadian National Railways?

Mr. VAUGHAN: I am assistant to the chairman and president.

Senator STAMBAUGH: Mr. Chairman, I wish to ask some questions on the Pine Point Railway.

The CHAIRMAN: The Pine Point Railway is not covered in this budget at all.

Senator STAMBAUGH: That is why I want to ask some questions about it. Surely we are entitled to ask questions on this because we understand it is going to be under construction this year.

The CHAIRMAN: I suppose all Mr. Vaughan could say in reply to you is that it is a matter of Government policy. We would have to have the bill for the Pine Point Railway before us before any capital could be appropriated for the construction of it.

Senator BUCHANAN: Mr. Chairman, I was going to ask a similar question. I see there is an amount provided marked contingent "branch lines". I was wondering if any of this was to be spent on the Pine Point Railway.

Mr. TASCHEREAU: The contingency item is to cover several projects for branch lines which are under study and under discussion with industries but none of it is related to the Pine Point line.

Senator BUCHANAN: It is not definitely related?

Mr. VAUGHAN: It is not related at all.

Mr. TASCHEREAU: We have made no provision in our budget for the construction of the Pine Point Railway.

Senator STAMBAUGH: I will make it real plain, Mr. Chairman. There is nothing in this budget that is to be expended upon the Pine Point Railway in any way, whether in surveying the line, or locating it?

Mr. VAUGHAN: Mr. Chairman, I might perhaps clarify the situation. As I understand it, and I speak subject to correction of the Department of Finance, there is an item in the estimates, not our estimates but in the estimates of the Department of Transport for making a location survey of the Pine Point line. In addition to that there is a resolution standing on the Order Paper of the House of Commons dealing with the Pine Point line.

The CHAIRMAN: A resolution preliminary to a bill to authorize the construction of that line, I suppose?

Mr. VAUGHAN: Yes, sir, a resolution preparatory to the introduction of legislation.

Mr. TASCHEREAU: In connection with that, the survey we are doing is not on our own, but rather as an agent of the Government.

Senator BRUNT: You do not pay for the survey, but you provide the personnel, is that it?

Senator CONNOLLY (*Ottawa West*): Mr. Vaughan, could we say this, that when the time comes you would have to have authority from Parliament if you were going to build it because it is more than six miles in length?

Mr. VAUGHAN: There must be a bill to authorize construction of such a line. It is 400 miles in length.

Senator CONNOLLY (*Ottawa West*): And the plan now is that you will build that line?

Mr. VAUGHAN: As agents we are carrying out the survey, and that is where the matter stands at the moment.

Senator BRUNT: All you are doing is making the survey?

Mr. VAUGHAN: Yes.

The CHAIRMAN: And whether the Canadian National ultimately builds that line or not will depend on the legislation when it is brought down.

Senator STAMBAUGH: That answers my question, thank you.

The CHAIRMAN: For the construction of new lines, diversions and abandonments I see an overwhelming proportion of the amount to be spent is concentrated in the central region. What are the principal items in that \$40 million for new lines, diversions and abandonments in the central region?

Mr. VAUGHAN: The total of course is, as I say, taken up with the new access line around Toronto.

The CHAIRMAN: It is largely to be spent in Toronto?

Mr. VAUGHAN: Yes.

Mr. TASCHEREAU: I should mention in this connection that what we will spend this year is not \$40 million. We expect to spend on the Toronto access lines in 1961 \$3,700,000, but the total cost involved is \$40.4 million.

Mr. VAUGHAN: We put this total figure in to give you an idea of the size of the project involved rather than bringing in an isolated request for some \$3 million each year.

Senator BRUNT: What was the total expenditure authorized for the construction of this line in Toronto, by special act of Parliament?

Mr. VAUGHAN: About \$85 million.

The CHAIRMAN: I suppose a large part of that is included in the amount of \$43,982,000 for the construction of large terminals?

Mr. VAUGHAN: Yes, that would be the yard operation.

Senator CONNOLLY (*Ottawa West*): I see that there is a considerable amount of money allocated for signals. What percentage of the main track is now under the block signal system?

The CHAIRMAN: Do you mean under block signal system or under C.T.C.?

Senator CONNOLLY: Under block signals.

Senator BRUNT: Block signals are old-fashioned; it is C.T.C. now.

Mr. VAUGHAN: There is the automatic block signal and there is also the C.T.C. system. The C.T.C. is, we say, a better signal system, but automatic block is a good signal system too. Another system is train order operation.

At the end of 1960 we had automatic block signal system on 1,411 miles, and centralized traffic control on 2,039 miles, which gives a total signalling installation on 3,450 miles.

Senator CONNOLLY (*Ottawa West*): Out of a total trackage of what?

Mr. VAUGHAN: Our first main track, I suppose, is 24,000 or 25,000 miles long.

Senator CONNOLLY (*Ottawa West*): So there is a long way to go yet?

Mr. VAUGHAN: The signalling program is a large program.

Senator CONNOLLY (*Ottawa West*): It will be a number of years before it is completed?

Mr. VAUGHAN: We are doing it in an orderly manner.

Senator CONNOLLY (*Ottawa West*): Yes, I understand.

Mr. VAUGHAN: We could not do it all at once. We are going along with about six subdivisions a year.

The CHAIRMAN: Most are in the west, I take it, because under the heading of signals, your proposed expenditures on the western region are higher than in any other region—\$3,785,500.

Mr. VAUGHAN: It is expected that three C.T.C. installations will be completed in 1961. They are: Chipman—Pacific Junction to Napadogan, New Brunswick; Harte—Portage la Prairie to Rivers, Manitoba; and, Miniota—River, Manitoba, to Melville, Saskatchewan. I could give you some more, as we go along into 1962, but perhaps that is sufficient.

The CHAIRMAN: Are there any further questions on page 3?

Shall we proceed to page 4, "Branch line construction"? One honourable senator had a question on that.

Senator BUCHANAN: That answers my question, Mr. Chairman.

Senator PEARSON: Concerning those top figures, you have 40,825,000 for Beattyville, Chibougamau and St. Felicien, 4,500,000 for Sipiwesk-Thompson and 10,165,000 for Optic Lake-Chisel Lake. In the authorized expenditures these same amounts are not shown, except in the case of Optic Lake-Chisel Lake, 10,165,000. In the case of Beattyville-Chibougamau-St. Felicien, it is \$35 million.

Mr. TASCHEREAU: On the Beattyville-Chibougamau-St. Felicien, the Government paid a subsidy to the C.N.R. That was not the case in regard to the other branch lines, Sipiwesk-Thompson and Optic Lake-Chisel Lake.

The CHAIRMAN: Senator Pearson was asking why there was an estimated expenditure of \$40,825,000 and you have actually spent, up to date, \$34.7 million. It is to be provided by a subsidy?

Mr. TASCHEREAU: Actually, we have spent to the end of 1960, \$34.7 million, and we expect the cost to complete the branch line—which is clean up work—to be \$142,000.

Mr. VAUGHAN: I think that the figures shown there are contained in the original statute of 1954, authorizing the branch line. In order to reconcile them with the statute we have shown the estimate at that time. Each year we submit to Parliament a progress report in accordance with that statute. We show the original figure to begin with.

The CHAIRMAN: Do you mean that the estimate in 1954 was \$40.8 million, and you have completed the line now at a cost of \$34,788,000, subject only to a small amount of \$142,000 to complete, is that it?

Mr. VAUGHAN: That is correct.

The CHAIRMAN: That is quite apart from the subsidy you have received for that line?

Mr. VAUGHAN: Perhaps if I could take a moment, I could look at this. If you would carry on, I will come back to it and give the figures.

Senator BRUNT: Very well.

The CHAIRMAN: Are there any further questions on "branch line construction"?

Shall we turn to page 5?

Senator STAMBAUGH: Mr. Chairman, before we leave page 4, I would like a little explanation of what this contingent expenditure of \$10 million means.

Mr. TASCHEREAU: The \$10 million is, as it says, for new branch lines. It is to take care of a number of projects which are under active study at the present time and which will or will not mature during the year. If we do proceed with any of the projects, for which this contingency item has been put in the budget, we will have to come back before Parliament with a special branch line bill.

The CHAIRMAN: Only if the branch line exceeds six miles in length?

Mr. TASCHEREAU: That is right. When I am talking about branch lines I am thinking in terms of branch lines of a substantial mileage.

Senator STAMBAUGH: You have said there are some of these things under consideration, or that you have them in mind, at least.

Mr. TASCHEREAU: Yes.

Senator STAMBAUGH: Is there anything in this contingent item that you expect to expend on the point to point line?

Mr. TASCHEREAU: No, sir.

The CHAIRMAN: Are there any further questions on page 4, gentlemen? Page 5, the capital budget for the year 1961, hotels.

Senator KINLEY: Mr. Chairman, regarding this item "Nova Scotian", Halifax, Nova Scotia. This is a capital budget, of course, but I would like to mention that the extension of the hotel service to Halifax is very commendable and it has given to Halifax a very fine hotel. I notice that it seems to be paying its way, and we are very happy about that. For that reason, I reluctantly bring before this committee a statement I saw in the press about the Chateau Laurier, here in Ottawa. It said that it was a deficit hotel. The statement was made that it was because of the accommodation provided for members of Parliament there was a deficit at that hotel. I have been staying at that hotel for many years, and I think I know what is going on fairly well. I think the statement is unjustified and erroneous. It was said that the hotel had no business on weekends. The only people I know that stay there on weekends are Members of Parliament from distant places, but lately they seem to be having young people come in from all over the country who help to fill up the hotel to a certain extent. I think that is very commendable. But, to say that the Chateau Laurier is a mecca for Members of Parliament is not a good statement to make for the public.

We who make a contract to stay there during the whole session are given a rate that is below the general rate. Most of the members from Ontario and Quebec go home at the weekends and, of course, they are only there for certain days of the week and they pay, of course, a larger amount.

It appears that Ottawa is not a good weekend city. Over the years I have stayed in the hotel I have talked to the members of the staff, and they have told me they lose money always on the weekends. Furthermore, there are very few members of Parliament who can afford to stay at the Chateau Laurier.

Senator SMITH (*Queens-Shelburne*): They have priced us off the market.

Mr. VAUGHAN: I do not follow that, Senator.

Senator KINLEY: I say that there are many Members of Parliament who do not stay at the Chateau Laurier because they cannot afford it. I have no fault to find with the Chateau Laurier. I have been staying there off and on for about 20 years. The service is good, and I do not think there is a better hotel in the country, but to say before a committee that we are a factor in the deficit incurred by the Chateau Laurier hotel is not something we like to see in print. I have always paid my way there, and I am not complaining, but I do complain about that sort of publicity.

Mr. VAUGHAN: Senator, perhaps I could read the exchange that took place in the committee of the House of Commons, because it might serve to clarify the situation and how it came about. I am reading from page 284 from the committee's proceedings:

Mr. HORNER (*Acadia*): Why has the Chateau Laurier particularly lost money while the rest of the hotels in some of the bigger centres have made it?

Mr. GORDON: Well—

The CHAIRMAN: Do not say it does not charge members of parliament.

Mr. FISHER: Has the Chateau Laurier in the main made profit in recent years?

Mr. GORDON: No. One of the problems of the Chateau Laurier is quite obvious. It has a very poor occupancy on week-ends because of the nature of its clientele. In addition we have made a policy not to allow the hotel to get tied up too much when the House of Commons is in session. There was a time when we used to be able to predict fairly closely when the House of Commons would be in session, but lately we have not been able to make that forecast. The result is that we are very nervous about taking on convention business that might clash with sittings of the House of Commons. Because of that implied priority, it is difficult for management to take on business which it might otherwise have.

This was a remark that really came about after somebody brought up the subject, and there was certainly no implied criticism of any senator or member, I assure you.

Senator KINLEY: I think it was said in the press that it was because of the Members of Parliament—

Mr. VAUGHAN: Of course, the press sometimes gets things a little differently from what was actually said.

Senator KINLEY: I did not read the report of the committee, but I read this in the press, and I thought it was unfair and undignified.

Mr. VAUGHAN: I am glad you have brought it up, because it is something that can cause erroneous understanding. Perhaps my reading this extract will have cleared it up; because we do value your business. The Chateau Laurier occupies a prime position in Ottawa, which is the nation's capital, and we hope it does cater to the nation's capital and to the people who are here on the nation's business.

Senator McKEEN: I understand that when the Chateau was originally built one of its purposes was the accommodation of Members of Parliament so that they would have a place at which to stay while Parliament was sitting, and so that they did not have to go scrambling all over town in order to find accommodation. I might say that since coming to Ottawa I have lived at the Chateau Laurier, and I have been given excellent service. The Chateau is always able to take care of us, and that is something we expect. The only objection I have is that the rent has pretty nearly doubled during my time in Ottawa, but I think the same thing applies to all hotels. I think the criticism is unfair, if there was any criticism.

Mr. VAUGHAN: I do not think there was criticism, and I think I have given you the intent in the remarks which I have read.

Senator LAMBERT: May I say that I was under the impression that for some years the Chateau Laurier was the one hotel of the system that was profitable. For how long has that not been true?

Mr. VAUGHAN: I can get the figures for you in a moment, Senator.

Senator LAMBERT: Can you not give them to me offhand? I think my assumption is correct, that for a long time, at any rate, the Chateau has not made an operating profit.

Senator POULIOT: Mr. Chairman, although I am not a member of this committee, may I be allowed to ask a question?

The CHAIRMAN: You can do anything you wish in this committee, Senator Pouliot, except vote.

Senator POULIOT: Thank you. I regret that Mr. Donald Gordon has not deigned to come in person before this committee when he did not go to the committee of the House of Commons.

The CHAIRMAN: Perhaps I should explain that. I was told before this committee began that Mr. Gordon had gone away for a few days of very well earned rest, but that if the committee insisted, or were anxious to hear him, he would come.

Mr. VAUGHAN: If I may say so, Mr. Chairman, Mr. Gordon is out of town for a few days. As you know, notice of this committee's sitting was received late yesterday—

Senator POULIOT: It is just that I wished to ask him a very personal question.

Mr. VAUGHAN: I just wanted to say, Senator, that Mr. Gordon is available, and he can be here this afternoon.

Senator POULIOT: I will tell you the question I wished to ask. I was going to ask if he has been offered the governorship of the Bank of Canada.

Senator BLOIS: Mr. Chairman, that is not pertinent to this hearing at all.

Senator POULIOT: That is all I wanted to know.

Senator MCKEEN: I think the point has been cleared up in that we are informed he will come if required.

Senator BLOIS: I do not think anybody should take objection to Mr. Gordon's not being here. We are getting all the information we need and are more than satisfied with the officers present.

Senator POULIOT: I am very glad to know, of course, that he is deigning to come.

Senator PEARSON: Has Mr. Vaughan the answer to the question I asked him about the expenses of branch lines?

Mr. VAUGHAN: Oh, yes, on the Chibougamau?

Senator PEARSON: Yes.

Mr. VAUGHAN: I did have that information a moment ago. As I said, the original estimate in the statute was \$40 million and as we go along and build it up it will be \$35.0 million.

The CHAIRMAN: And from that you will deduct the subsidy?

Mr. VAUGHAN: That includes the subsidy. The \$40 million estimate also included the subsidy.

Mr. TASCHEREAU: I am subject to check, but may I add that the amount of \$40 million probably includes the 15 per cent that is usually added in bills of this nature to provide for contingencies.

Mr. VAUGHAN: I can add something to clear it up. The estimated expenditure was \$35.5 million, the provisional overrun was \$5.1 million. We are coming in at \$35.0 million. It is pretty close, actually, to our estimate.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, during the submission of the C.N.R. to the Royal Commission on Transportation one of the factors which was referred to in that submission as contributing to the deficit and the

financial position the C.N.R. found itself in was that by statute the C.N.R. was obliged to carry members and senators upon its system and they had been carrying, through courtesy, their wives and dependants.

The press gave the public of this country, I believe, a wrong impression, that we were causing the C.N.R. deficit in large measure. In order to put this in some better perspective, have you got a figure as to what that kind of free transportation has cost the C.N.R. in any year?

Mr. VAUGHAN: If I may put the matter in a little better perspective, and I won't go into too much detail, the railways made a submission to the royal commission regarding the whole matter of free transportation. Prior to that the railways themselves had cut out certain free transportation given to other classes of individuals, a whole list of them under Board Order 656, I believe it was.

The members of the Senate and the House of Commons, of course, have a statutory right to travel—

Senator McKEEN: May I make one correction? He said members of Parliament and senators. We are members of Parliament.

The CHAIRMAN: That's right.

Senator SMITH (*Queens-Shelburne*): The members of the other house are usually referred to as M.P.'s.

Mr. VAUGHAN: Members of Parliament are members of the Senate and members of the House of Commons.

The CHAIRMAN: That's right.

Mr. VAUGHAN: In any event, both railways made a submission to the royal commission that the burden be lifted with respect to some of the obligated carryings under certain statutes. I don't have the exact wording of our submission, but this is a paraphrase of it. Following that, you will see that they dealt with that particular point in Volume 1 of the MacPherson Royal Commission.

In so far as the dependants of members of Parliament are concerned, that was another category of permissive carriage under the particular order I mentioned, flowing from the fact that members of Parliament had the statutory right; this was a discretion that the railways had exercised over the years. As to the figures, the Canadian Pacific Railway Company gave a figure of \$6,700,000 of all free carriage of transportation. As to members of Parliament, we gave no figure. We do not have any figure of what the carryings of members of Parliament or what the dependants would entail. Does that answer your question?

Senator SMITH (*Queens-Shelburne*): It does not answer it but it is the best you can do. Let me ask this question. Why is it there is no compilation made of those return-trip passes, and the notes that the conductor makes of our pass numbers, our certificate numbers, when we use the system, so they would know exactly what the fares would have been had we been obliged to pay for them.

Mr. VAUGHAN: If that sort of compilation is considered necessary, it could be made because, as you know, the trip passes are eventually returned and a notation is made of the certificate you use to go, say, from Ottawa to Halifax. It has not been considered necessary to have that information over the years.

Senator SMITH (*Queens-Shelburne*): No, it has not been considered necessary at all but it seems to me that it is the kind of information the public should have in view of the deduction the public made due to the joint representation made by the C.N.R. and C.P.R. I have had some personal conversations with people who have told me that that has been their impression. They don't understand that the free transportation referred to in the submission

includes all kinds and classes of people in huge numbers and that the total cost has nothing whatsoever to do with the real cost of carrying members of Parliament back and forth to Ottawa for their duties. I think it is very unfair that the public has not got that information.

Mr. VAUGHAN: I think the MacPherson Report states the matter clearer than I could, but I would like to make another point. It was not the submission of the C.N.R. that members of Parliament be not carried free.

Senator SMITH (*Queens-Shelburne*): They could not make that submission.

Mr. VAUGHAN: Or any railway, or the Canadian Pacific.

Senator LAMBERT: I should like to add something to what Senator Smith has said, emphasizing my own feelings, and I think in doing so I am reflecting the viewpoint of many people inside and outside Parliament, and that is that the information which Senator Smith has suggested might come from a compilation, would be a very desirable contribution to the clarification of public understanding on this matter. I am not saying this out of any special consideration for members of Parliament or their dependants, but there is a very definite trend of opinion, and I have heard it very many times reflected, that we are considerably behind the practice in the United States where expenses are provided for public servants to take care of transportation costs in the performance of their duties. I think that is an issue which is likely to appear before our Parliament for some time, for it involves the economic showing of this public transportation system. For these reasons I think that any data that can be supplied to this committee or to a committee of the other house—data bearing upon the problem of free transportation—should be gathered just as soon as possible.

Senator McKEEN: There is another point that I should like to bring up at this time. Our own expenses incurred in attending sessions of Parliament are not allowed to be charged as expenses in the ordinary course of events. For instance, a senator may spend \$3,000 to \$4,000 annually for hotel, living and travelling expenses in connection with his duties in Parliament—and he only gets two airline tickets—but he cannot charge these expenses against his income, and they are paid out of tax-paid income. I consider we should be allowed at least, if they do not pay our expenses, to deduct our expenses from our taxable income.

Senator SMITH (*Queens-Shelburne*): I am sure the C.N.R. would support us on that.

The CHAIRMAN: It is an interesting question, gentlemen, but are we not getting perhaps a little away from the scope of the bill.

Senator KINLEY: But this is the only chance we have to discuss this, in committee, and it seems to me that if we want to arrive at any decision about deductions, this is the place to do it.

The CHAIRMAN: Oh, yes, I quite agree.

Mr. TASCHEREAU: We have taken note of your representations!

Senator PEARSON: I notice that the Bessborough Hotel, Saskatoon, is left out of the list. Has it been overhauled or furnished lately?

Mr. VAUGHAN: That merely means there is no expenditure contemplated this year and we did not consider that any was required.

Senator PEARSON: At the present time?

Mr. VAUGHAN: Yes, sir.

The CHAIRMAN: Are we through with page 5?

Some hon. SENATORS: Carried.

The CHAIRMAN: Page 6 is entitled, "Canadian National Railways capital budget—year 1961—equipment". Are there any questions? Perhaps there is

one question I might raise under the heading of "Additions, conversions and highway vehicles". I suppose that brings up the questions of trucking operations of the C.N.R., Mr. Vaughan?

Mr. TASCHEREAU: I think that could be dealt with on page 7 under Canadian National Transportation Limited, in the amount of \$5 million. That is our highway transportation subsidiary.

The CHAIRMAN: Then are we through with page 6? Then we will turn to page 7, "Investment in affiliated companies".

Senator KINLEY: May I ask, with regard to Chicago and Western Indiana Railroad, why we have a capital expenditure there?

Mr. VAUGHAN: In this railway, sir, the C.N.R. has an investment which represents 20 per cent of the capital stock of the company.

The CHAIRMAN: The balance is owned by other railways, I understand?

Mr. VAUGHAN: That is right, by a number of United States railroads. It is a railroad which connects with our own subsidiary, the Grand Trunk Western Railroad, and under the agreement under which we acquired the capital stock we had this obligation of advancing a proportionate part of the financial requirements of that company.

Senator PEARSON: Does that represent outlay for the joint control of terminals, or just for the railroad?

Mr. TASCHEREAU: It is a capital outlay, I am told.

Senator PEARSON: Of the company?

Mr. TASCHEREAU: Yes.

Mr. VAUGHAN: This is an agreement that goes away back for many years, and it is associated with our United States operations, and as our annual report showed we have a 20 per cent participation in it.

Senator KINLEY: Is it profitable?

Mr. VAUGHAN: Well, this operation is complementary to our other United States operations.

Senator WOODROW: Is the Chicago and Western Indiana Railroad operated at a deficit?

Mr. VAUGHAN: Well, I would have to ascertain that. Can I take notice of that question for the moment?

Senator WOODROW: Yes, of course.

The CHAIRMAN: Are there any questions on the \$5 million item for Canadian National Transport Limited?

Senator KINLEY: There was a lot of comment the other day as to these truckers in competition.

Senator BUCHANAN: That is, whether the trucking companies were allowed to complain legally.

The CHAIRMAN: I take it this item is for possible capital expenditures during the current year and the acquisition of other trucking lines?

Mr. VAUGHAN: It is generally to pursue our program of road and rail integration and also the completion of acquisition of other selected trucking lines.

Senator PEARSON: These trucking companies you are buying out, are you using them in your piggy-back system?

Mr. VAUGHAN: Oh, yes, they carry piggy-back, too, and over the road, too.

Senator PEARSON: How many trucking companies have you bought in now, or is that a fair question?

Mr. VAUGHAN: Yes, sir, that is a fair question. If I could just read part of this statement here, it might serve to explain. When we originally looked at trucking we considered at the outset that to have an effective highway operation we needed to have adequate licences. Now, numerous trucking companies were examined, and in western Canada alone the licences in operation of ten separate companies were analyzed. The firms of Midland Superior Express Limited, Empire Freightways Limited and East-West Transport Limited, were then selected and purchased in whole or in part. That was the western group. In eastern Canada we purchased the Eastern Transport Limited, the Sydney Transfer Limited; five trucking operations in all; and you will see them listed in the annual report as wholly-owned companies except for the Midland Superior. We do not wholly own that; we own 49 per cent of the stock.

Senator PEARSON: Do you find it more advantageous to buy these truck lines in areas away from your railway as feeders to your railway line, or do you parallel the rail service?

Mr. VAUGHAN: Our overall plan is one of road-rail integration, the one complementing the other. We are now in the business and the pattern is gradually taking a good shape. In the Maritimes I think we have perhaps one of the best rail-road integrated services anywhere in the country.

Senator KINLEY: What did you say?

Mr. VAUGHAN: I was saying, Senator Kinley, that I think in the Maritime provinces the Canadian National has one of the best road-rail integrated services to offer to the shipping public, and gradually we are extending that pattern with this gradual selective entry into the trucking business.

Senator PEARSON: Is that why you are asking for this \$5 million?

Mr. VAUGHAN: The \$5 million is what we think we might need to purchase other ones that we now have options on.

The CHAIRMAN: As well as to conclude the purchase of some you have already bought?

Mr. VAUGHAN: If there is anything outstanding in that respect, yes.

Senator KINLEY: Does that offer any competition with your express services?

Mr. VAUGHAN: What we are talking about now are the trucking operations that we purchased. The express operation is a different matter. The Sydney Transfer Limited that runs from Halifax to Truro, Sydney, and down through that area is a company which the C.N.R. purchased, but we have express trucks all over the place, hundreds of them, and also we engage private operators, too, to pick up and deliver and do cartage and so on.

Senator KINLEY: Is the trucking service from Halifax to Sydney competitive with the railroad? Do you run that as a part of your operation or is it a piggy-back operation?

Mr. VAUGHAN: There has been a gradual evolution in the pattern of movement of goods in Canada and it is hard for me to answer that question by just a yes or no, as to whether it is competitive or not. Trucks are adaptable to a certain kind of service, and the railway is adaptable, and the best, for certain other kinds.

Senator KINLEY: And you use both?

Mr. VAUGHAN: Yes, we are getting into both so that we can offer the shipper the best service we can.

Senator KINLEY: Do you carry trucks across to Newfoundland on the boat?

Mr. VAUGHAN: Yes, I think the "Carson" carries trucks. I have a note on this. We are developing in Newfoundland a plan of integrated service.

The CHAIRMAN: Are we through with questions on page 7?

We will turn to page 8. I do not think this page needs much comment. It concerns retirement of capital obligations.

Page 9, the operating budget for the year 1961. This will be quite interesting.

I see that you predict a slightly smaller deficit for the current year?

Mr. TASCHEREAU: We expect that there will be an income deficit in 1961 of \$64 million. We have forecast an operating revenue of \$700 million. This forecast of course is subject to all the uncertainties which exist including indications which have been confirmed that there would be a decline in traffic for the first half of the year. On the other hand we expect a favourable upturn in revenue during the second half of the year, and the result is that our prediction is for a one per cent increase in gross revenues in 1961.

You will therefore find that the deficit we anticipate this year will be just slightly under the amount of the 1960 deficit.

The CHAIRMAN: In 1960 you showed a deficit of \$67 million. What was your estimate that you gave last year of what your deficit would be for 1960?

Mr. TASCHEREAU: Our estimate of the deficit last year that we gave when we were before this committee was \$24 million. We made a mistake. Our mistake was shared by many other people. Many economists had predicted a rise in the gross national product that just did not materialize, and at the beginning of the second half of the year we saw that the decline in the business activity would not permit us to live by our forecast.

Mr. VAUGHAN: Our revenues went down roughly \$47 million in the year.

Mr. TASCHEREAU: Even though we were able to reduce our expenses by \$35 million in the year it was not enough to overcome a larger deficit.

Senator STAMBAUGH: I suppose this year, the grain crop in Western Canada being not so large as in former years you won't have so much grain to carry and you will lose less money.

Senator LAMBERT: My honourable friend forgets that there are millions of bushels of wheat ready to be moved at any time but that the trade policy of this country won't permit it to be done.

The CHAIRMAN: Have we completed our questioning on this capital budget?

Hon. SENATORS: Agreed.

The CHAIRMAN: Shall we proceed to the bill itself?

Hon. SENATORS: Agreed.

The CHAIRMAN: Shall section 1, the title, carry?

Hon. SENATORS: Agreed.

The CHAIRMAN: Shall section 2 carry?

Senator KINLEY: Mr. Chairman, I want to ask a question on the interpretation section. I read, "National Company" means the Canadian National Railway Company; "National System" means the National Railways as defined in the Canadian National Railways Act and any companies controlled by the National Company through stock ownership, and it goes on.

What is the relationship between the Canadian West Indies service and the Canadian National Railways?

The directors of this company are certain senior officials, as I recall, of the Department of Finance and Transport. There is no longer any control by the C.N.R.

Senator KINLEY: There is no control by the C.N.R.?

Mr. TASCHEREAU: No.

Senator KINLEY: Are there any vessels still operating?

Mr. VAUGHAN: Which vessels are you referring to?

Senator KINLEY: Are there any of the West Indies steamships operating?

Mr. VAUGHAN: We got, and are getting our money.

Senator GOUIN: Good.

Senator KINLEY: We have got our money?

Mr. VAUGHAN: It was a good deal, and was guaranteed by the Bank of America, and there is no difficulty about that.

Senator KINLEY: You operate vessels such as the *Newfoundland*—

Mr. VAUGHAN: And the ones to Prince Edward Island.

Senator KINLEY: The *Blue Nose*?

Mr. VAUGHAN: Yes, and to Prince Edward Island vessels such as the *Abegweit*, the *Scotia*, and the *Prince Edward Island*.

Senator KINLEY: Are they under the control of the C.N.R.?

Mr. VAUGHAN: Those in the Northumberland Straits service are vessels entrusted to the Canadian National Railways for management and operation. The *Bluenose* similarly, is entrusted to the C.N.R. for management and operation, as are the *William Carson* and various coastal vessels in Newfoundland.

Senator KINLEY: You know the situation with regard to the merchant marine is changing? The minister, in the other house, announced that he is closing to foreign traffic the waterways practically from Anticosti Islands up the Great Lakes. It is not Anticosti Island, actually, but a little in from that. The regulations have not been made public, but I believe it is from a point down further. That makes a different picture. It seems to me that the control and the management of any shipping that Canada might own in that extended and protracted area should not be under the Canadian National Railways, because a man cannot serve two masters. If the waterways are in competition with the railroad, I do not think a director of the railroad should be a director of anything connected with the marine. I am glad to hear my honourable senator say that the directorship had been changed, although you still own this stock in the Canadian Merchant Marine.

Mr. VAUGHAN: The Canadian National West Indies Steamship Limited, the vessels that company had, eight of them, were sold, as I mentioned a moment ago, to Cuba. So that company does not have any vessels to operate.

Senator KINLEY: It looks to me, from the minister's announcement, that he is going to try to keep the merchant marine in Canada in private hands. I am all for that. I think it should be in private hands, and it should be so that men who are interested in the sea and who come, especially from the Maritime provinces should have its control anyways. As far as this announcement goes, it looks as though the tendency is that way.

Senator DESSUREAULT: You say you have been partly paid for the ships sold to Cuba?

Mr. VAUGHAN: Yes. We get a payment every August on the ships, and I think there are two to go. It is guaranteed by the Bank of America, and there is no difficulty about it. It is a clean operation.

Senator KINLEY: What about this, "travel now and pay later" business?

Mr. VAUGHAN: "Go now, pay later?"

Senator KINLEY: I think the President of the Canadian National Railways says that in that regard we have a connection with the banks, an arrangement with the banks, whereby the banks guarantee the accounts. It looks to me as if both the Canadian National Railways and the banks are frightened to death they will perpetuate something that is not in the interest of the people

of this country. We are living on borrowed capital, borrowed money, and everything else, and when you get two institutions like the Canadian National Railways and the banks of this country combining together for the purpose of—

Mr. VAUGHAN: This is not a conspiracy! This is just a safeguard, as far as we are concerned.

Senator KINLEY: You say, "Go now, pay later." That does not contribute to the prosperity of this country.

Senator PEARSON: I think it does. I think it is a fine idea to do that. You must borrow money or you cannot do anything.

The CHAIRMAN: There is, I feel, a difference of opinion on this point, but meantime we are on section 2 of the bill.

Shall section 2 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 3, capital expenditures authorized. They have been explained very fully. Shall section 3 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 4, issue of securities. Shall section 4 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 5, guarantee.

Shall section 5 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 6, minister may make loans to national company. Shall section 6 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 7, general, power to eight other companies. Shall 7 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 8, proceeds paid to credit of Minister of Finance in trust, shall section 8 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 9, minister may place amounts at disposal of company. Shall section 9 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 10, Trans-Canada Air Lines. Shall section 10 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: You will recall that Mr. Taschereau explained these special sections, sections 11, 12, and 13, to us at the beginning.

Shall section 11 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall section 12 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall section 13 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall section 14 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall the preamble carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall the title carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall I report the bill without amendment?

Hon. SENATORS: Carried.

The CHAIRMAN: Thank you very much, gentlemen.

Senator LAMBERT: On my own behalf and, I hope, on behalf of every member of this committee, I should like to express in the warmest terms appreciation for the services rendered to this committee today by the officers of the company who have appeared here. We are always very pleased to have the President with us, but he has been unable to come today. He might be very well pleased and satisfied with the services rendered by his officials.

Mr. TASCHEREAU: Thank you, senators.

Mr. VAUGHAN: Thank you very much, senators.

The committee adjourned.

APPENDIX

CANADIAN NATIONAL RAILWAYS

CAPITAL BUDGET

AND

ESTIMATED INCOME ACCOUNT

YEAR 1961

February 2, 1961.

CANADIAN NATIONAL RAILWAYS

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STANDING COMMITTEE
CANADIAN NATIONAL RAILWAYS
CAPITAL BUDGET—YEAR 1961

	1961 Proposals	Cost to Complete Projects Authorized in Prior Years	Total	1961 Expenditures	1960 Budget
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
ROAD PROPERTY					
New Lines, Diversions and Abandonments.....	210	41,703	41,913	5,693	11,862
Roadway Improvements.....	39,247	1,289	40,536	39,920	52,841
Large Terminals.....	—	60,566	60,566	16,778	25,931
Yard Tracks and Sidings.....	1,131	228	1,359	1,043	1,822
Buildings.....	2,083	11,624	13,707	11,947	21,123
Highway Crossing Protection.....	324	96	420	420	297
Signals.....	121	5,718	5,839	2,876	6,083
Roadway and Shop Machinery.....	2,471	440	2,911	1,811	4,306
General.....	14,115	9,219	23,334	22,731	19,909
Communications.....	6,813	17,893	24,706	19,516	26,033
Road Property—Total.....	66,515	148,866	215,381	122,735	170,207
BRANCH LINES.....	19,660	1,600	21,260	14,599	2,259
HOTELS.....	1,413	509	1,922	1,732	3,315
EQUIPMENT.....	16,618	14,032	30,650	14,212	34,977
	104,206	165,007	269,213	153,278	210,758
INVESTMENT IN AFFILIATED CO'S.....	4,795	1,127	5,922	5,922	6,842
	109,001	166,134	275,135	159,200	217,600
Less—Uncompleted Work.....	—	—	—	16,000	30,000
Total—C.N.R. Capital Budget.....	109,001	166,134	275,135	143,200	187,600
Working Capital.....	—	—	—	—	10,000
TOTAL—C.N.R. REQUIREMENTS.....	109,001	166,134	275,135	143,200	197,600
T.C.A. FINANCIAL REQUIREMENTS					
Presented for inclusion in the Financing and Guarantee Act.....	19,700	—	19,700	19,700	82,350
TOTAL REQUIREMENTS.....	128,701	166,134	294,835	162,900	279,950

NOTE: The amounts required for refunding and/or retirement of maturing securities are shown on Page 42 hereof.

CANADIAN NATIONAL RAILWAYS

STATEMENT OF FINANCING AUTHORITY REQUIRED WITH RESPECT TO CAPITAL BUDGET

YEAR 1961

(000)

Gross Capital Expenditures

Road Property.....	\$ 122,735	
Branch Lines—Specific.....	4,599	
Contingent.....	10,000	
Hotels.....	1,732	
Equipment.....	14,212	
	<hr/>	
	153,278	
Investment in Affiliated Companies.....	5,922	
	<hr/>	
	159,200	
Less Incompleted Work.....	16,000	
	<hr/>	
TOTAL—C.N.R. Capital Budget.....		\$ 143,200
TRANS-CANADA AIR LINES—Financial Requirements.....		19,700
		<hr/>
TOTAL—Requirements.....		162,900

Source of Funds

Depreciation Accruals, etc.....	108,100	
Issue of Securities:		
Preferred Stock.....	21,000	
Additional Borrowing—C.N.R. Account.....	—	
Mattagami Branch Line.....	4,100	
Contingent (Branch Lines).....	10,000	
	<hr/>	
	143,200	
Borrowing—Trans-Canada Air lines.....	19,700	
	<hr/>	
		162,900

JANUARY 1, 1962 TO JUNE 30, 1962

Interim financing authority required with respect to Capital expenditures authorized in 1961 and prior years.

Gross Capital Expenditures:

C.N.R.....	58,000	
Mattagami Branch Line.....	3,000	
Contingent (Branch Lines).....	5,000	
T.C.A.....	10,000	
	<hr/>	
		76,000

Financing thereof:

Funds available from depreciation accruals, etc.....	54,000	
	<hr/>	
		22,000

Issue of Securities:

Preferred Stock.....	11,000	
Excess of depreciation and Preferred Stock over Capital expenditures:		
C.N.R. Account.....	(7,000)	
Mattagami Branch Line.....	3,000	
Contingent (Branch Lines).....	5,000	
Borrowing—T.C.A.....	10,000	
	<hr/>	
		22,000

Commitment Authority Requested

Authority is requested to enter into contracts prior to the first day of July 1962 for the acquisition of new equipment and for general additions and conversions that will come in course of payment after the calendar year 1961 in amounts not exceeding in the aggregate.....

44,000

Existing Financing Authority

Financing authority exists under CANADIAN NATIONAL FINANCING AND GUARANTEE ACT, 1960, Section 3 (1) (b) for an amount of \$86,000,000. Estimated expenditures against this amount were \$66,000,000 for Road and Equipment and \$20,000,000 for advances to Trans-Canada Air Lines.

CANADIAN NATIONAL RAILWAYS
SUMMARY OF ROAD PROPERTY CAPITAL BUDGET PROJECTS BY AREAS
Total of 1961 Proposals and Cost to Complete Projects Approved in Prior Years

	Atlantic Region		Central Region	Western Region	Grand Trunk Western	Central Vermont Railway	Other	Total
	Maritime District	Newfoundland District						
	\$	\$	\$	\$	\$	\$	\$	\$
New Lines, Diversions and Abandonments.....	238,800	—	40,420,500	1,253,800	—	—	—	41,913,100
Roadway Improvements.....	5,621,500	1,945,400	9,493,400	22,822,100	303,600	349,700	—	40,535,700
Large Terminals.....	984,000	1,370,000	43,982,000	14,230,000	—	—	—	60,566,000
Yard Tracks and Sidings.....	105,400	124,000	911,800	138,000	80,000	—	—	1,359,200
Buildings.....	167,600	316,200	11,937,800	1,135,200	133,800	16,000	—	13,706,600
Highway Crossing Protection.....	15,400	—	273,300	41,300	60,300	30,000	—	420,300
Signals.....	1,370,000	—	683,000	3,785,500	—	—	—	5,838,500
Roadway and Shop Machinery.....	453,700	111,600	629,500	1,577,700	109,600	28,700	—	2,910,800
General.....	474,000	257,000	3,030,300	1,964,800	270,700	27,000	17,310,400	23,334,200
Communications.....	—	—	—	—	—	—	24,795,918	24,795,918
Road Property—Total.....	9,430,400	4,124,200	111,361,600	46,948,400	958,000	451,400	42,106,318	215,380,318
Expenditures—1961.....	8,813,400	3,439,200	32,926,200	39,825,000	944,800	426,400	36,359,700	122,734,700

CANADIAN NATIONAL RAILWAYS

CAPITAL BUDGET—YEAR 1961

Branch-Line Construction

Construction of the following new branch lines authorized as follows:

	Authorization	Mileage	Estimated Expenditures
			\$
Beattyville-Chibougamau-St. Felicien.....	Chapter 49, 1954	297.6	40,825,000
Sipiwesk-Thompson.....	Chapter 13, 1957	30.0	5,400,000
Optic Lake-Chisel Lake.....	Chapter 13, 1957	52.0	10,165,000

	Authorized Expenditures		Estimated Expenditures to end of 1960	Cost to Complete	Expenditures 1961
	Total	Capital			
	\$	\$	\$	\$	\$
Beattyville-Chibougamau-St. Felicien.....	35,000,000	34,930,000	34,788,000	142,000	67,000
Sipiwesk-Thompson.....	4,500,000	4,500,000	4,268,000	232,000	232,000
Optic Lake-Chisel Lake.....	10,165,000	10,165,000	6,224,000	1,226,000	200,000
	49,665,000	49,595,000	45,280,000	1,600,000	499,000
Less Subsidy on					
Beattyville-Chibougamau-St. Felicien.	7,360,750	7,360,750	7,360,750	—	—
	42,304,250	42,234,250	37,919,250	1,600,000	499,000

	Legislation Pending		Estimated Expenditures to end of 1960	Cost to Complete	Expenditures 1961
	Total	Capital			
	\$	\$	\$	\$	\$
Magattami.....	9,660,000	9,660,000	—	—	4,100,000
(* Commitment—Payable 1962).....					*800,000
Contingent.....					10,000,000

CANADIAN NATIONAL RAILWAYS

CAPITAL BUDGET—YEAR 1961

Hotels

	1961 Proposals	Cost to complete projects authorized in prior years	Total	1961 Expenditures
	\$	\$	\$	\$
"Nova Scotian" Halifax, N.S.....	250,500	88,000	338,500	338,500
"Chateau Laurier" Ottawa, Ont.....	49,000	150,000	199,000	199,000
"Fort Garry" Winnipeg, Man.....	265,700	—	265,700	265,700
"Jasper Park Lodge" Jasper, Alta.....	300,100	216,000	516,100	326,000
"Vancouver" Vancouver, B.C.....	165,000	55,500	220,500	220,500
Various Hotels.....	266,000	—	266,000	266,000
	1,296,300	509,500	1,805,800	1,615,700
"Queen Elizabeth" Montreal, Que.....	116,500	—	116,500	116,500
	1,412,800	509,500	1,922,300	1,732,200

CANADIAN NATIONAL RAILWAYS

CAPITAL BUDGET—YEAR 1961

Equipment

	1961 Proposals	Cost to complete projects authorized in prior years	Total	1961 Expenditures
	\$	\$	\$	\$
NEW				
Authority is requested for the financing to the extent indicated of the undernoted equipment the financing and/or ordering of which was authorized in Financing and Guarantee Acts in prior years.....	—	13,221,000	13,221,000	5,270,000
Freight Cars.....	1,161			
Work Equipment Units.....	2			
	<u>1,163</u>			
Authority is requested for the ordering of equipment estimated to cost \$9,090,000 of which \$684,000 will be required to finance anticipated deliveries in 1961.....	9,090,000	—	9,090,000	684,000
Freight Cars.....	644			
Work Equipment Units.....	1			
	<u>645</u>			
	9,090,000	13,221,000	22,311,000	5,954,000
ADDITIONS, CONVERSIONS AND HIGHWAY VEHICLES.....				
	7,528,100	811,400	8,339,500	8,258,000
TOTAL—EQUIPMENT.....	16,618,100	14,032,400	30,650,500	14,212,000

NOTE: The particulars of the equipment required as indicated may be revised as to numbers and classes, but the total cost will not exceed the amount of the authorizations requested above.

STANDING COMMITTEE

CANADIAN NATIONAL RAILWAYS

CAPITAL BUDGET—YEAR 1961

Investment in Affiliated Companies

	1961 Budget
	\$
<i>Toronto Terminals Railway Company</i>	
Estimated requirements—\$20,000	
C.N.R. proportion—50%.....	10,000
<i>Northern Alberta Railways</i>	
Estimated requirements—\$1,072,200	
C.N.R. proportion—50%.....	536,100
<i>Chicago and Western Indiana Railroad</i>	
Advances under Agreements March 31, 1926 and May 1, 1952.....	376,000
<i>Canadian National Transportation, Limited</i>	5,000,000
TOTAL—C.N.R.....	<u>5,922,100</u>
<i>Trans-Canada Air Lines—Financial Requirements</i>	
Advances in respect of Capital Expenditures (Year 1961 only).....	19,700,000

CANADIAN NATIONAL RAILWAYS

Retirement of Capital Obligations including Equipment Principal Payments during the year ending December 31, 1961

Due Date 1961		Amount
Jan. 15	Canadian National Railways 2 $\frac{3}{4}$ % Equipment Trust Series "V" 1951 Certificates.....	675,000
May 19	Canadian Northern Ontario Railway Company 3 $\frac{1}{2}$ % First Mortgage Debenture Stock.....	*2,218,000
	*Equivalent to £739,216 par value outstanding converted at rate of \$3.00 to £1. Amount to be borrowed will be based on rate of exchange in effect at maturity date.....	2,893,000

BONDS TO BE ACQUIRED FOR PURCHASE FUNDS—(Estimate)

Canadian National Railway Company 5 $\frac{1}{2}$ % Bonds, due December 15, 1964.....	4,000,000
Canadian National Railway Company 4 $\frac{1}{2}$ % Bonds, due April 1, 1967.....	2,250,000
Canadian National Railway Company 5% Bonds, due May 15, 1968.....	2,400,000
Canadian National Railway Company 5% Bonds, due May 15, 1977.....	1,350,000
Canadian National Railway Company 5 $\frac{3}{4}$ % Bonds, due January 1, 1985.....	2,000,000
Canadian National Railway Company 5% Bonds, due October 1, 1987.....	2,625,000
	<u>14,625,000</u>
TOTAL.....	17,518,000

CANADIAN NATIONAL RAILWAYS
OPERATING BUDGET—YEAR 1961

	1961 Budget	1960 Actual
	\$(000)	\$(000)
OPERATING REVENUES.....	700,000	693,141
OPERATING EXPENSES		
Maintenance:		
Road.....	160,500	157,099
Equipment.....	148,000	150,727
Total.....	308,500	307,826
Transportation.....	307,000	308,700
	615,500	616,526
Traffic.....	16,500	15,497
Miscellaneous Railway Operations.....	6,000	6,299
General.....	49,000	47,472
Total.....	687,000	685,794
NET OPERATING REVENUES.....	13,000	7,347
TAXES AND RENTS.....	20,300	20,024
Net Railway Operating Income.....	(7,300)	(12,677)
OTHER INCOME.....	6,400	6,203
Net Income Available for Fixed Charges.....	(900)	(6,474)
TOTAL FIXED CHARGES.....	73,700	69,089
Received from T.C.A.....	10,600	8,066
Net Fixed Charges:	63,100	61,023
Deficit.....	64,000	67,497

NOTE: The 1961 Operating Forecast is based on 1960 material prices, wage rates and freight rates.

