



Room 10-A  
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Canada. Parl. H. of C. Standing  
Comm. on Railways and Shipping  
Owned, Operated and Controlled  
by the Govt., 1944/45.

Minutes of proceedings  
and evidence.

DATE

NAME - NOM

Canada. Parl. H. of C. Standing  
Comm. on Railways and Shipping  
Owned, Operated and Controlled by  
the Government, 1944/45.

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SESSION 1944  
HOUSE OF COMMONS

## STANDING COMMITTEE

ON

# RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

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MONDAY, MARCH 27, 1944



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TRANS-CANADA AIR LINES ANNUAL REPORT (1943)

WITNESSES:

Hon. C. D. Howe, Minister of Munitions and Supply;  
Mr. H. J. Symington, K.C., President of Trans-Canada Air Lines;  
Mr. W. F. English, Asst. Vice-President, Trans-Canada Air Lines;  
Mr. T. H. Cooper, Comptroller, Canadian National Railways and Trans-Canada Air Lines;  
Cdr. C. P. Edwards, O.B.E., Deputy Minister of Transport.





## ORDERS OF REFERENCE

TUESDAY, February 1, 1944.

*Resolved*,—That Standing Order 63 of the House of Commons, relating to the appointment of Standing Committees of the House, be amended by adding to the Standing Committees of the House for the present session a Standing Committee on Railways and Shipping owned and operated and controlled by the Government, to which will be referred accounts and estimates and bills relating thereto of the Canadian National Railways, the Canadian National (West Indies) Steamships, and Trans-Canada Air Lines for the present session, for consideration and report to the House; provided however that nothing in the resolution shall be construed to curtail in any way the full right of discussion in Committees of Supply; and that the said Committee consist of: Messrs. Donnelly, Dubuc, Dufocher, Emmerson, Ferland, Gray, Hanson (*Skeena*), Harris, (*Danforth*), Hazen, Howden, Jackman, Lockhart, Michaud, McCulloch, Maybank, Nicholson, Parent, Pouliot, Roëbuck, Ross (*Middlesex East*), Sander-son, Shaw and Sissons.

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

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

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

MONDAY, March 20, 1944.

*Ordered*,—That the Annual Report of the Directors of Trans-Canada Air Lines, for the year ended December 31, 1943, tabled this day, be referred to the said Committee.

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

TUESDAY, March 21, 1944.

*Ordered*,—That the following reports:

Annual Report of the Canadian National Railway System for the year ended December 31, 1943;

Annual Report of the Canadian National (West Indies) Steamships, Limited, for the year ended December, 1943;

Annual Report of the Canadian National Railways Securities Trust for the year ended December 31, 1943;

be referred to the said Committee, together with the following item of estimates for 1944-45:

387. Maritime Freight Rates Act, Canadian National Railways;

388. Maritime Freight Rates Act, Railways other than Canadian National;

408. Canadian National (West Indies) Steamships, Limited, capital advances;

409. Prince Edward Island Car Ferry and Terminals Deficit, 1944.

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

FRIDAY, March 24, 1944.

*Ordered*,—That the report of the firm of George A. Touche and Company, Auditors of the Accounts of the Canadian National Railway System, Canadian National Securities Trust, Trans-Canada Air Lines and Canadian National (West Indies) Steamships Limited, for the year ended December 31, 1943, and the Financial Budget of the Canadian National Railways and the Canadian National (West Indies) Steamships Limited for the calendar year 1944, be referred to the said Committee.

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

MONDAY, March 27, 1944.

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

*Ordered*,—That the said Committee be given leave to sit while the House is sitting.

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

*Ordered*,—That the name of Mr. Hanson (*York-Sunbury*) be substituted for that of Mr. Hazen on the said Committee.

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

## REPORT TO THE HOUSE

MONDAY, March 27, 1944.

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

## FIRST REPORT

Your Committee recommends:

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

All of which is respectfully submitted.

J. P. HOWDEN,  
*Chairman.*

*Concurred in March 27, 1944*



## MINUTES OF PROCEEDINGS

MONDAY, March 27, 1944.

(1)

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 11 o'clock. Mr. J. P. Howden, the Chairman, presided.

*Members present:* Messrs. Emmerson, Hanson (*Skeena*), Howden, Jackman, McCulloch, Maybank, Michaud, Nicholson, Parent, Sanderson, Shaw and Sissons. (12).

Honourable C. D. Howe, Minister of Munitions and Supply, was present.

The Committee decided to ask leave to print its minutes of proceedings and evidence, to sit while the House is sitting and to reduce its quorum.

On Motion of Mr. Hanson (*Skeena*), seconded by Mr. Maybank,—

*Resolved*,—That the Committee ask authority to print from day to day 500 copies in English and 200 copies in French of its minutes of proceedings and evidence.

On motion of Mr. McCulloch, seconded by Mr. Parent,—

*Resolved*,—That the Committee ask leave to sit while the House is sitting.

On motion of Mr. McCulloch,—

*Resolved*,—That the Committee be authorized to reduce its quorum from 12 to 8 members.

It was agreed to take up first the study of the report of the Trans-Canada Air Lines for the year ended December 31, 1943.

Mr. H. J. Symington, K.C., President of the Trans-Canada Air Lines, was called. He read his report and was examined thereon. The witness was assisted by Mr. W. English, Assistant Vice-President; Mr. T. H. Cooper, Comptroller of Canadian National Railways and Trans-Canada Air Lines, and Mr. S. May, Auditor of the C.N.R. and the T.C.A.

On motion of Mr. Nicholson and by unanimous consent of the Committee, Mr. Hanson (*York-Sunbury*), was permitted to examine the witnesses.

Hon. Mr. Howe was questioned on T.C.A. operations and matters connected therewith. He was assisted by Commander C. P. Edwards, Deputy Minister of Transport.

Mr. Symington read a supplementary statement relative to operating revenues and expenses.

The witness was retired.

At 12.55 p.m., the Committee adjourned until 4 p.m. o'clock this day.

## AFTERNOON SITTING

(2)

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, resumed at 4 o'clock p.m. Mr. J. P. Howden, the Chairman, presided.

*Members present:* Messrs. Donnelly, Emmerson, Hanson (*Skeena*), Hanson (*York-Sunbury*), Harris (*Danforth*), Howden, Jackman, McCulloch, Maybank, Michaud, Nicholson, Parent, Sanderson and Sissons. (14).

Mr. H. J. Symington was recalled and his examination was continued.

Messrs. T. H. Cooper and W. English were also called and supplied answers to certain questions. They were retired.

Mr. Nicholson suggested that an official of the Post Office Department be called to give evidence on the C.P. Air Lines mail rates.

Commander C. P. Edwards was called and replied to questions relating to the Department of Transport. He agreed to table the following information:—

1. Orders in Council relating to certain air routes.
2. A statement of applications for air routes licences and transfers made by C.P. Air Lines showing dates of applications.

Information concerning passenger, express and mail rates was also requested from the Board of Transport Commissioners.

Mr. Symington gave a statement on T.C.A. personnel, and was questioned thereon.

At the request of Mr. Hanson (*York-Sunbury*), witness tabled a schedule of T.C.A. personnel showing the amount paid in each category.

*Ordered*,—That the above schedule be printed as an appendix. (*See Appendix A, to-day's minutes of proceedings and evidence.*)

Consideration of the Annual Report of Trans-Canada Air Lines having been completed, on motion of Mr. McCulloch, it was adopted and Mr. Symington retired.

At 6 o'clock, p.m., the Committee adjourned until Tuesday, March 28, at 4 o'clock, p.m.

ANTONIO PLOUFFE,  
*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 27, 1944.

The Standing Committee on Railways and Shipping met this day at 11 o'clock a.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: Gentlemen, we have a quorum and I think perhaps we should get down to business. May I say to the members of the committee that they are the ones who are really in charge of these proceedings, and it is up to them to decide upon what we shall do. It is well known to all members that the house is very busy with committees at the present time. I think possibly there are three matters that should be considered in the beginning, first among which is the reduction of the quorum of this committee to a workable number; secondly, I believe we should ask for the printing of our proceedings if it meets the wishes of the committee to do so; and in the third place we shall certainly have to sit while the house is in session and shall have to obtain permission in order to accomplish that end. What is your wish, gentlemen?

Mr. HANSON (*Skeena*): I move, Mr. Chairman, that we ask permission to print five hundred copies in English and two hundred in French of our day to day proceedings.

Mr. MAYBANK: I second that.

Motion agreed to.

The CHAIRMAN: Then there is the matter of asking leave to sit while the house is in session.

Mr. McCULLOCH: I move that.

Mr. PARENT: I will second it.

The CHAIRMAN: A seconder is not necessary. What is your pleasure, gentlemen?

Motion agreed to.

The CHAIRMAN: Then there is the third matter, that the committee be authorized to reduce its quorum to a certain number of members. What is the wish of the committee in this respect?

Mr. JACKMAN: How many are on the committee, and what is the present quorum?

The CHAIRMAN: The quorum is twelve, I believe.

Mr. JACKMAN: Out of how many?

The CLERK: Twenty-three.

Mr. MAYBANK: What did we have last year?

The CHAIRMAN: I think we reduced it to eight members, in order to facilitate business.

Mr. MAYBANK: We may as well have it the same as it was in other years.

Mr. PARENT: There are so many committees sitting at the same time, it is sometimes difficult to get a quorum when the number is larger.

Mr. McCULLOCH: I move that we have a quorum of eight.

The CHAIRMAN: What is your pleasure, gentlemen?

Motion agreed to.

The CHAIRMAN: Gentlemen, it is the wish of the authorities of the railway and of the T.C.A. that we go ahead in the first place with consideration of the Trans-Canada Air Lines report. If that meets with your approval, we shall proceed in that manner. Is that agreeable?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: There is another matter that we ought to decide now, with regard to obtaining permission from the house to sit while the house is in session. In the event of our obtaining this permission this afternoon, is it the wish of this committee that we should reassemble this afternoon at 3.30 or 4.00 o'clock?

Mr. PARENT: It would save the time of the officials, and we have a lot of work to do. I think we should do that.

Mr. MAYBANK: Make it 4.00 o'clock.

The CHAIRMAN: All right, then. It is agreed that we shall meet at 4.00 o'clock if this request passes the house.

Mr. MAYBANK: If it carries in the house?

The CHAIRMAN: Yes. We have with us this morning Mr. H. J. Symington, K.C., President of Trans-Canada Air Lines and other officers who are appearing before the committee as witnesses. As usual, I presume we shall read the report and institute interrogations from time to time.

Mr. JACKMAN: There seems to be a little misunderstanding on the part of our group. We—that is, the Progressive Conservatives—have four members on the committee, namely, Messrs. Harris, Hazen, Jackman and Lockhart. That was the situation when Mr. Hanson was house leader of the party. Last year Mr. Hazen, who at the present time is in the hospital, dropped off and Mr. Hanson went on. I am not in a position to speak officially for the party, but I know of no change in the situation whereby Mr. Hazen was re-appointed and Mr. Hanson's name was left off. I rather suspect that what has happened in this case is what happened in one other committee. Those responsible for the appointment of the committee, whoever they were—probably the two Whips, or the Liberal Whip anyway—have taken the old list of the previous year and not the immediate past year, and put their names on. So that, with your permission, I should like to make that statement and also to have your consent to Mr. Hanson in the meantime being in a position to take part in this hearing, because I feel that there has been a mistake, although I am not officially in a position to speak.

Hon. Mr. MICHAUD: We shall correct that this afternoon by having an official motion put through the house.

Mr. JACKMAN: I am not speaking officially for the party. I have not heard anything about any change, but I think that is what has happened.

The CHAIRMAN: Let us not have any misunderstanding about it. Is it your proposition that Mr. Hanson go on this committee permanently in place of Mr. Hazen?

Mr. JACKMAN: I am not the master of our party.

Mr. PARENT: Carried.

The CHAIRMAN: We do not know what we are carrying.

Mr. JACKMAN: I suggest that Mr. Hanson be permitted to take part in the committee.

Hon. Mr. HANSON: I was told just a minute ago by the Liberal Whip that I was not a member of the committee, and it came as a great surprise, because I had notice of this meeting.

Hon. Mr. MICHAUD: As Mr. Jackman has said, I think it is mistake of the Whip.



Hon. Mr. HANSON: It may be that there was a motion put through the house on the 17th of March last.

The CHAIRMAN: Was there a vote?

Hon. Mr. HANSON: I do not remember anything about it. I do not know what happened.

The CHAIRMAN: A vote could be put through now, if it is the wish of the party.

Hon. Mr. HANSON: I do not want to take part in this committee unless it is in the regular way.

Mr. MAYBANK: You could take part this morning as though you were a member, and then get it fixed up in the house this afternoon, could you not?

The CHAIRMAN: I think if it is acceptable to the committee, we will do that.

Mr. PARENT: Have we not the authority to accept him if we want to?

The CHAIRMAN: I do not know that we can.

Hon. Mr. HANSON: No. You can grant permission to take part in the proceedings. That is about all you can do.

Mr. PARENT: We are not adding to our number.

Mr. NICHOLSON: I move that Mr. Hanson be permitted to take part in the discussion this morning.

The CHAIRMAN: Is that carried?

Motion agreed to.

Hon. Mr. HANSON: I will try to have it regularized.

The CHAIRMAN: We shall endeavour to have the matter regularized at the first sitting of the house.

Hon. Mr. MICHAUD: This afternoon.

The CHAIRMAN: All in favour?

Motion agreed to.

The CHAIRMAN: If you are ready gentlemen, we shall now proceed, and I will call upon Mr. H. J. Symington.

Will you proceed in the usual way, Mr. Symington?

Mr. SYMINGTON: Very well, Mr. Chairman.

## TRANS-CANADA AIR LINES

MONTREAL, March 10, 1944.

*To the Shareholders:*

The Board of Directors submit herewith the annual report of Trans-Canada Air Lines for the calendar year 1943.

The Act of Parliament creating Trans-Canada Air Lines as the national air service was passed in 1937, and in its six years of operation the air line has proved itself to be a dependable and valuable public servant. Handicapped as it has been, and still is, by the demands of war on personnel and equipment, it has endeavoured to maintain the highest standards of an essential industry and to lay a sound foundation for future aviation in Canada.

In 1943 its main tasks were the improvement and intensification of its Canadian and Newfoundland services, the carrying out of a heavy program of military aircraft overhaul, and the development for the Canadian government of a trans-Atlantic air service.

## STANDING COMMITTEE

In June the transcontinental route was extended 46 miles to the Vancouver Island terminal at Patricia Bay, giving direct service to Victoria and other Island communities, including the many military establishments in the area.

Hon. Mr. HANSON: Is it the practice to read the whole of the thing through?

Mr. SYMINGTON: That has been the practice in the past.

Hon. Mr. HANSON: All right, go ahead. It is all right with me.

Mr. SYMINGTON: Continuing:

The company plans to provide extended services in the Maritime Provinces, including a new service via Saint John, N.B., to Halifax and Sydney, as soon as the necessary ground and communications facilities are made available. Also awaiting the installation of ground and other facilities is a through service from Winnipeg to Edmonton via Saskatoon, providing not only a shorter route between those cities but also to the Yukon and Alaska. These extensions to existing main line routes were authorized by orders in council P.C. 6256 and P.C. 6255 of August 6, 1943.

In July the government's wartime trans-Atlantic service was inaugurated, with flight crews and maintenance personnel supplied by T.C.A. In this service converted Lancaster aircraft owned by the government carry heavy loads of mail to and from the forces overseas, and other cargo of importance to the war effort as well as passengers on urgent war business.

Trans-Canada Air Lines, as the sole Canadian agency designated by the government to operate international air services, awaits with interest the results of conferences between governments on matters affecting world air policy and the completion of international agreements with regard to these services. Trans-Canada on its part is carrying on intensive research into such matters as routes and potential traffic, and is studying developments in aircraft and other equipment, communications and aids to navigation. In co-operation with the Department of Trade and Commerce and other departments of the Dominion Government it has been studying fields in which Canada would expect to participate and has already surveyed routes to the West Indies and South America.

In 1943 the number of passengers carried increased by 34 per cent, air express volume by 126 per cent, and air mail volume by 61 per cent, as compared with the preceding year. Payment to the company for the carriage of mail is based on plane miles flown and not on the poundage carried, and an increase of 61 per cent in the volume of air mail in 1943 brought to the company an increase of only 9 per cent in mail revenue. It did, however, result in a substantial growth in the revenue of the Post Office Department. Trans-Canada Air Lines, it is estimated, carried approximately 200,000,000 letters in 1943 apart from the trans-Atlantic mail service.

## RESULT OF OPERATIONS

	1943	1942
Operating Revenues .....	\$9,379,501	\$7,337,318
Operating Expenses .....	8,974,902	6,628,399
	<hr/>	<hr/>
	\$ 404,599	\$ 708,919
Income Charges and Interest on Capital invested .....	256,710	214,004
	<hr/>	<hr/>
Surplus .....	\$ 147,889	\$ 494,915

Operating revenues totalled \$9,379,501, an increase of \$2,042,183 or 28 per cent over 1942. Passenger revenues increased \$1,148,146 or 37 per cent; mail revenues increased \$303,885 or 9 per cent; express revenue increased \$157,064 or 91 per cent; excess baggage revenue increased \$30,618 or 104 per cent; revenue from sales and service, and incidental revenues, increased \$402,468 or 47 per cent. Mail revenue contributed 37 per cent of the total revenue as compared with 44 per cent in 1942, 53 per cent in 1941, and 62 per cent in 1940. The rate of compensation received by the company under its contract for the carriage of air mail was lower in 1943 than in any previous year, being 42.90 cents per plane mile flown in approved mail services, as compared with 45.57 cents per plane mile in 1942, 48.16 cents in 1941 and 60 cents in 1940.

Operating expenses totalled \$8,974,902, an increase of \$2,346,503 or 35 per cent over the preceding year, reflecting the cost of handling an overall increase in the volume of traffic, extension of routes and services, and full-year operation to Newfoundland as compared with an eight-month service in 1942. There is included in 1943 operating expenses a charge of \$218,000 to provide a reserve for anticipated post-war inventory adjustments.

After the payment of interest on the company's capital and other income charges the surplus for 1943 was \$147,889.

#### ROUTES AND SERVICES

At December 31, 1943, Trans-Canada Air Lines (exclusive of the trans-Atlantic operation) was providing service—air mail, passenger and express—over routes totalling 4,903 miles between the Atlantic and the Pacific seaboard. This was an increase in route mileage of 46 miles as compared with December 31, 1942. The routes now operated are as follows:

	Miles
Halifax-Victoria (via Toronto) .....	3,301
Toronto-Windsor .....	206
Lethbridge-Edmonton .....	301
Toronto-New York .....	365
Moncton-St. John's, Nfld.....	730
	4,903

As at December 31, 1943, daily scheduled miles flown by T.C.A. aircraft were 25,872, an increase of 3,202 miles per day, as compared with December 31, 1942. During the year, 8,963,786 miles were flown, an increase of 1,274,884, as compared with the previous year.

Due to the decision of the Board of Transport Commissioners for Canada forbidding the Company to carry local passenger and express traffic between Vancouver and Victoria, the aircraft, on twice daily round-flights, have been operating between those cities far below capacity, with resultant financial disadvantage. The operation has, however, brought about a marked improvement in the air mail service of the Dominion, and provided accelerated movement for through passengers and express between mainland points (east of Vancouver) and Vancouver Island.

To relieve the heavy traffic between the east and the west, a third daily round-flight between Toronto and Winnipeg went into effect on September 15, and schedules were adjusted to provide through service to Montreal. At the same time, service between Toronto and New York was increased from two to three round-flights daily to take care of greatly increased traffic.

*Atlantic Service*

The Canadian Government trans-Atlantic service, designed to facilitate mail deliveries to and from Canadian forces overseas, to move important cargo, and to carry official passengers designated by the Department of Transport and the office of the Canadian High Commissioner in the United Kingdom, began on July 22 with the first flight from Montreal to Great Britain. Service was provided by Trans-Canada Air Lines with a single Lancaster aircraft modified for transport duty. Additional Lancasters, Canadian-built, are being added to the service as quickly as possible. The conversion in our shops of bomber-type aircraft to the work of carrying heavy transport loads calls for the highest qualities of technical skill and initiative on the part of our personnel. The Company maintains an organization at the United Kingdom terminal in connection with the trans-Atlantic service. The direct route flown is approximately 3,000 miles. Intermediate stops are sometimes made. A new non-stop west-east Atlantic record between Montreal and Great Britain was established when a flight was made in 11 hours and 14 minutes. Loads grow increasingly heavy, with mail weights at times exceeding 7,000 pounds per aircraft.

*Passenger Service*

Revenue passengers carried by Trans-Canada Air Lines, apart from the Atlantic service, in 1943 totalled 140,276, as compared with 104,446 in 1942, an increase of 35,830 or 34 per cent. The average passenger journey was 560 miles as compared with 551 miles in 1942. Revenue per passenger averaged \$30.04.

*Air Mail Service*

The increase in the volume of air mail carried by Trans-Canada which has marked each previous year's operations continued throughout 1943.

During the year, 3,726,607 pounds of mail were carried, as compared with 2,308,812 pounds in 1942, an increase of 61 per cent. The average mail load per mile increased from 321 pounds in 1942 to 396 pounds in 1943. Mail revenue per pound mile decreased from 1.4 mills in 1942 to 1.08 mills in 1943. In the month of December, 1943, compensation received by the Company was at the rate of .94 mills per pound mile.

*Air Express Service*

The growing use of air transportation for the rapid movement of materials essential to the military forces and to war industry, was reflected in the 126 per cent increase in the volume of air express handled: 821,606 pounds in 1943 as compared with 362,837 pounds in 1942.

*Airway Facilities*

Although severely hampered by scarcity of materials and labour, the Department of Transport continued its program of improvements to runways, field facilities, airport lighting and navigational aids.

## PROPERTY AND EQUIPMENT

The Company's plant and equipment have been well maintained and are in good condition.

The flight equipment of the Company as of December 31, 1943, consisted of:—

Twelve Lockheed 14-08 aircraft, equipped with two Pratt and Whitney Twin-row Wasp engines, each of 1,200 horsepower.

Eleven Lockheed Lodestar aircraft, also equipped with two Pratt and Whitney Twin-row Wasp engines.

The available fleet was reduced during the year by one aircraft when a forced landing was made owing to unforeseeable engine failure.

In the course of the year, exhaustive investigation of aircraft heating systems was made and modifications were undertaken further to ensure the comfort of passengers during flight in low temperatures.

To handle overhaul of military aircraft a new hangar, service building and annex are approaching completion on T.C.A. property at Winnipeg. Badly needed additional office accommodation will be provided for T.C.A. in the two-storey brick annex.

Inadequate servicing accommodation necessitated an extension to the hangar at Toronto. Floor space has been doubled and additional shop facilities provided. For the overhaul of R.C.A.F. Transport Command aircraft, work began in August on a similar extension to the hangar at Moncton.

To keep abreast of the growth of traffic and provide improved service to the public, passenger offices in various parts of the system were enlarged during the year.

Trans-Canada Air Lines developed a central reservations control for the speedy handling of its passenger bookings, which system has since been adopted by air transport lines in the United States. The central reservations control office at Toronto was moved in 1943 to more spacious premises in the Canadian National Telegraphs building on Bay street to take care of the growth in business.

#### SELF INSURANCE

With the expiration on April 30 of outside coverage the policy of self insurance was extended to include aircraft, passenger liability, public liability and automotive risks of the Company. The only remaining insurance carried with outside underwriters is that on buildings and their contents involving concentrations of risks. The reserve fund is invested in Government securities, and as of December 31, 1943, stands at \$647,412.

#### PERSONNEL

The personnel of the Company as of December 31, 1943, numbered 2,343. The proportion of women employees increased to 35 per cent from 30 per cent. Women are efficiently performing many and varied duties in the organization, taking the places of men now in the armed forces. T.C.A. has gone further in this respect than other air lines. The loss of experienced male personnel continues, however, to be serious.

An understanding has been reached with the R.C.A.F. as a result of which a supply of Air Force personnel will be made available to the Company. The new personnel will be selected from among those who have completed operational duties. This marks the beginning of a policy of rehabilitation of returned airmen.

The increased volume of air-mail and air express traffic necessitated the establishment during the year of a special department within the Company to be responsible for the packaging, handling and despatch of all types of cargo.

A contributory pension plan was put into effect on July 1, 1943. Employee contributions together with the Company's matching contributions are paid monthly into a separate trust fund which is invested in Dominion Government securities or securities guaranteed by the Dominion

Government. The trust fund is administered by the Company as a trustee but is not an asset of the Company, and therefore is not included in its balance sheet. The amount of the fund at December 31, 1943, was \$187,743.05.

#### SPECIAL WAR ACTIVITIES

Work performed under war contract for the overhaul of military aircraft, engines, propellers, instruments and accessories was substantially increased in 1943. The instrument and accessory shops continued at full capacity and during the year the propeller and engine overhaul shops were placed on a three-shift basis.

Company station facilities throughout Canada were placed at the disposal of military aircraft requiring servicing. Dispatch, radio and station services were again provided for the transport operation of the R.C.A.F. communication squadron.

At Moncton, the expansion of hangar facilities will make it possible to offer an extensive program of maintenance and servicing to military aircraft operating in the area.

As at the end of December, nearly 300 T.C.A. employees were engaged in the conversion, servicing and maintenance of the Liberator aircraft used in the return ferry service of the British Overseas Airways Corporation. The inauguration of the Canadian government trans-Atlantic service placed the additional responsibility on this group of converting and servicing the Lancasters which are being used in that service.

At the request of the Department of Transport, the Company undertook the operation, for a time prior to the opening of navigation, of a freighting service between Moncton and Goose Bay, Labrador, for the movement of essential military material and supplies.

#### THE STAFF

The directors again place on record their appreciation of the loyal and efficient services of the officers and employees of the Company, who have continued to make it possible for Trans-Canada Air Lines to maintain its vital contribution to the nation's war effort. They record their pride in the 215 men and 12 women who have enlisted in the armed forces, some of whom have been decorated for outstanding achievement and some of whom, unfortunately, have sacrificed their lives.

The CHAIRMAN: I guess we will have a period of interrogation here.

Hon. Mr. HANSON: What was the extent of the heavy program of military aircraft overhauled that you referred to on the first page there? Give us some idea of what was done and where.

Mr. SYMINGTON: Contract 3910, June 21, 1941, would be Department of Munitions and Supply for repair and overhaul, engines, propellers, instruments and accessories; work performed during 1943, engines overhauled, 366; instruments overhauled, 6,496; accessories overhauled, 2,015; propellers overhauled, 999. The charges against department, cost plus, year 1943, \$502,000. Contract for British Overseas Airways Corporation for overhaul and modification of aircraft in Atlantic return service; basis, labour plus 5 per cent; charges for the year, \$499,000; total charges war contract work, \$1,001,000.

Hon. Mr. HANSON: Where was that done principally, at Winnipeg?

Mr. SYMINGTON: Winnipeg, Dorval, Malton, Moncton.

Mr. MAYBANK: What is the difference between those two contracts? I think the expression used in one was simply cost plus and in the other the expression labour plus 5 per cent?

Mr. SYMINGTON: There is a slight difference between them in the mode of expression so far as they work out. In the Department of Munitions and Supply we have labour plus but we get a higher plus as we provide supervision, and so on.

Mr. MAYBANK: Cost plus means labour plus?

Mr. SYMINGTON: Yes. The other one is contract labour plus 5 per cent, supervisory labour plus 5 per cent, cost of materials plus 5 per cent.

Mr. MAYBANK: In practice those work out to be about the same contract?

Mr. SYMINGTON: Exactly, about the same thing, yes.

Hon. Mr. HANSON: Is this supplementary to the other service?

Mr. SYMINGTON: Entirely supplementary.

Hon. Mr. HANSON: All because of the lack of other facilities?

Mr. SYMINGTON: Yes, I think so; at least there were many departments that we were doing overhaul jobs for in our shops throughout Canada, and my information is that our costs are very much below that of anybody else.

Hon. Mr. HANSON: That is very interesting. You say then that your service is very much cheaper than that of private enterprise?

Mr. SYMINGTON: I do not know. I do not know anything about private enterprise. I do not know whether government shops or other people are doing that kind of work, but naturally with the set-up and shops such as we have to have for our own work we are in a better position to do it than anybody else.

Hon. Mr. HANSON: You do not charge any overhead into this?

Mr. SYMINGTON: No, except in respect to the contract with one company.

Hon. Mr. HANSON: That would be a saving to the department concerned?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Which private enterprise or anybody else would have to include.

Mr. SYMINGTON: That is right.

Hon. Mr. HANSON: Nothing charged for interest or anything like that?

Mr. NICHOLSON: I would like to congratulate the president, officers and employees of T.C.A. for this very remarkable report. I think people from coast to coast are very proud of this achievement. I have a map of the C.P. air lines before me and I am disturbed by the trend in air travel, and I would like the President to make some explanation as to how it happened that C.P. air lines are apparently becoming competitors of the T.C.A. The Prime Minister in outlining the policy of Canada on April 2, 1943, stated that the Trans-Canada Air Lines would continue to be an instrument of government in maintaining all trans-continental air transport service and that providing services across the international boundary line and outside of Canada; and according to the answer given to a question in the House on March 30 the C.P.R. lines have made application for licences to operate a great many routes which seem to indicate to me that they are ignoring the stated government policy as outlined by the Prime Minister.

Mr. MAYBANK: The applications were earlier, were they not?

Mr. NICHOLSON: These applications have been from January 1, 1943, it does not list them. I find that some of the routes that they were planning to operate and quite a number of them; I believe there are some 28 different routes. Here is one from Saint John to Halifax, another from Toronto to Hamilton, St. Catharines to Niagara Falls, to London, St. Thomas, Windsor and so on; and there is another one from London to Montreal, one from Toronto to Sudbury,

and one from Port Arthur to Sioux Lookout; then Winnipeg to Kenora and so forth. If you chart these out on a C.P.R. air line map you will find that should these licences be granted they will only need a very few short hops to give them a complete trans-continental service and many of these routes that I have mentioned, for example from Montreal to Toronto and Toronto to Windsor, would certainly conflict with the routes operated by T.C.A. Members will recall that when the original T.C.A. Act was before the House in 1937 the then leader of the opposition, the Hon. R. B. Bennett, speaking, said as follows:

I submit that the proper course to pursue at this time is as I have suggested. What the future may disclose I cannot say. We are on the threshold of great advances. Anyone who has followed the story of aviation in this country and abroad and who knows what man has done to overcome difficulties, how he has been able to bridge in days distances that used to take weeks, how, for example, he has been able to fly from the Cape of Good Hope to London in a few days, in contrast with the long journeys of former years, realizes that in making arrangements for flying across Canada from the Atlantic to the Pacific we are dealing with matters which are on the threshold of tremendous developments.

It may well be that we shall conclude later that it is desirable to pursue some other course. We should not now provide that the people may acquire later something that they are parting with. It should be the other way about—that we may, if we so desire, sell instead of our buying back something that we ourselves created. As we are creating it, let us hold it. As we are making it, let us keep it. And if in the fulness of time it is desirable that the management and operation should pass, let it pass. We shall have something in the way of control that will enable us to dictate policies, to provide for the hundred and one things that cannot be foreseen at the moment. And who suffers if we do that?

It is obvious that the Canadian National Railway cannot take over this enterprise except by paying for it money which we in the end will have to find. With a deficit last year of \$43,000,000 and this year estimated at \$35,000,000, it is obvious that the necessary \$5,000,000 must come from us. And as it is to come from us, let us own the enterprise now. That is what I say to the minister. I ask him to revise this bill to provide that at the start the ownership shall rest with us; that the shares and the capital stock shall be owned by the minister in right of the crown, in trust for the crown. If that is done, we shall not have parted with something which may have a value that I, for one, cannot possibly estimate.

If I joyfully referred to the difficulties of underwriting by the Canadian National Railways, I did it because the Canadian National and the government are, with respect to financial matters, one and the same. But, sir, this cannot be regarded in any sense as a party matter. It should not be. Certainly I have not suggested to any of those with whom I am associated that they should take a particular view of the matter. The opinions I express are my own, as the views expressed by the hon. member for Vancouver South are his. I have had at least some experience with respect to these matters. Perhaps it is less personal and direct than that of some others, but I know well the evils that have come upon this country through such courses as are contemplated here. It may be said that government ownership is always inefficient, that it always has been. I am not prepared to say that it need be, but even though there is inefficiency we can devise methods by which efficiency can be secured and the property retained in the people.

This is my plea to the minister. This bill need be modified only to the extent of providing that the capital stock shall be such and such and shall be provided out of the consolidated revenue of the country, which



is where it will come from in the end if the underwriting is taken up by the railway. That would enable the company to make contracts with the Canadian National Railway and the Canadian Pacific Railway if they so desired, the same as they do in other countries, to correlate their carrying activities with those of the railways. In the United States for instance, as is well known, provision is made whereby passengers may, if they so desire, travel by air during part of the day and in pullmans during the other part of the day. That might easily happen in this country in connection with both railroads; it could happen without the railroads being shareholders. If it were thought desirable that others should be brought into the enterprise as minority shareholders, that could be done.

The plea made by the hon. member for Vancouver South for those who have been pioneers in this branch of transportation is something to which I referred the other evening. I realize that we put \$250,000 into the Trans-Canada line—the Canadian National did, but we found the money—and the Canadian Pacific Railway put in \$250,000; and the contracts were cancelled within the terms of the contracts because as I said on another occasion, we could not contemplate the expenditure of hundreds of thousands of dollars to drive airplanes through dust that men could not see through, representing the spoliation of the farms of western Canada, where we had to disburse millions of dollars for relief. The service could not be continued under those conditions, and therefore within the terms of the contract we discontinued it. There are certain claims in that connection which may be of such an equitable character that the government will desire to give them consideration for the sake of the shareholders, and perhaps have the shareholders represented on the directorate for the purpose of obtaining the benefit of their wise judgment and large experience.

But I do not implore the minister not to part with this property. To-night the field is clear. To-night no franchise encumbers the ground. To-night we stand in a position to create by Act of this parliament an enterprise that will have complete control of aerial navigation between the Atlantic and Pacific. We have that right to-night. If we pass this measure and hand this right over, not to the crown but to a body of shareholders and provide that the crown may buy it back some time in the future if it so desires, we shall be going in the wrong direction. I plead with the minister to reverse the process, to own the enterprise now, and sell it later if he so desires. That is the difference between the minister's view and mine of the principles that underlie this measure.

I make this suggestion to the minister not because I can be said to be one of those who believe in public ownership and control, for I have not that reputation, but because I have found by grim experience that the condition that now exists in Canada with respect to railroads has arisen in consequence of the blunder we made. We cannot make a blunder if we keep what we have got; and what we have got to-night is control of the whole matter. It seems to me, therefore, wise to take initial steps to ensure that that control shall be retained by the action of this parliament, and if we desire later to terminate it or to part with it, we may do so through an Act of this house and as a result of the intelligent expression of opinion by members of parliament.

I have no desire to go into the matter at greater length, nor do I wish at this moment to go into details, because that will have to be done in committee. But I do hope that the minister will not part with control as this bill provides—control which in my judgment is so essential to

our success in view of all the difficulties that will confront us—and we shall then be in a position to cope with the situation in a manner that will be denied us if we adopt the principle of this measure.

I certainly am desirous of assisting the minister as far as it is in my power to do, but I cannot assist him in having parliament give its approval to this principle. In expressing these views I assure him that I am not putting them forward as embodying a council of perfection, nor am I for a moment suggesting that I know better than he does what ought to be done. I am asserting, however, that the experience of this country indicates that now is the time for us to hold what we have, just as we did with the radio, so that if ever we have to part with it, or if we desire to do so, we may at least have a clear appreciation of the value of our franchise and of our properties, and the value of the contracts that we are making in one of the branches of government for the carrying of the mails. That is all I have to say in urging the minister to weigh all these considerations before we commit ourselves to the principle of this measure.

The CHAIRMAN: I am afraid that this is outside of the terms of our reference, Mr. Nicholson.

Mr. NICHOLSON: I think not, Mr. Chairman.

The CHAIRMAN: We are getting a little bit outside of the point.

Mr. NICHOLSON: I think the President (Mr. Symington), must give some explanation as to whether the development of T.C.A. has not been fast enough or complete enough, and what steps are being taken by the T.C.A. to prevent the C.P. lines from defeating an Act of Parliament.

The CHAIRMAN: I am of the opinion myself that we are merely assembled to review the record of the year for this Trans-Canada Air Lines and not to discuss matters of policy that are not yet in effect.

HON. Mr. HANSON: I am more or less in agreement with you, Mr. Chairman, but the President (Mr. Symington) in the brief which he presents to us made some reference to government policy. I do not want to see the discussion go so far afield as the hon. member suggests. I would like to ask him (Mr. Nicholson) this question; is this still a free country, or is it not?

Mr. NICHOLSON: This country has placed certain laws on the statute books designed to be in the best interests of the people at large.

HON. Mr. HANSON: I should believe even if that is a law it is still open for me to apply for a bill of services; as I asked you before, is this still a free country?

Mr. NICHOLSON: As I understand the Act—

HON. Mr. HANSON: Are we going to have everything done by parliament?

Mr. NICHOLSON: Parliament provided for a trans-continental air service to be operated by the Trans-Canada Air Lines.

HON. Mr. HANSON: Yes.

Mr. NICHOLSON: Here is a private company that is trying to enter that field; of course, if that be the wish of the people, then the Act can be changed.

HON. Mr. HANSON: You say so, that is not a fact.

Mr. NICHOLSON: I have here before me the application for these lines which have already been received by the government.

HON. Mr. HANSON: And these applications have come in, and your inference is that they will be granted.

Mr. MAYBANK: We should have these lawyers as witnesses.

Hon. Mr. HOWE: Is not this a matter of government policy that should be discussed in the House? The House is the only place where it can be discussed, really. The Trans-Canada Air Lines have nothing to do with what the Canadian government do. The T.C.A. is under the direction of the department.

Mr. NICHOLSON: But the T.C.A. obviously are required to carry out government policy.

Mr. MAYBANK: That is what they have been doing.

Mr. NICHOLSON: That is what I want to know.

Mr. MAYBANK: Ask them.

Mr. NICHOLSON: Have the T.C.A. ever fully taken into consideration the need of air travel from Sydney to Saint John and across to Rimouski? As I understood the Minister of Munitions and Supply (Hon. Mr. Howe) the T.C.A. has been unable to get equipment, it has been ordered but they have not been able to get it.

Mr. MAYBANK: Permit me to ask this question of Mr. Symington; whether or not the T.C.A. have failed to carry out government policy; and if they have failed, for what reasons do you say that they are failing to carry out government policy?

Mr. SYMINGTON: No, not so far as we know. As you will recall, under the Act before any line can be opened by T.C.A. there must be a resolution and a recommendation to the Minister of Transport for Air and the Postmaster General. That was done with respect to the Saint John-Halifax-Sydney and the Winnipeg-Saskatoon-Edmonton branches. These have not been opened up yet for the best of reasons which are—

Hon. Mr. HANSON: That is by the T.C.A.? That is what you are speaking of?

Mr. SYMINGTON: Yes, by the T.C.A. There is the question of construction of additional facilities which we have not been able to secure on account of war scarcities.

Hon. Mr. HANSON: You did not have the planes either, did you?

Mr. SYMINGTON: Well, of course we could put on the service. It would largely be a diverted service. For instance, instead of sending two via Moncton, we would send one via Saint John. We would do the best we could until we could get additional planes. I want to say to the committee that we have put forth every effort to try to get new planes but have not been able to get them. It is a natural war condition. We tried to get Lockheeds from the Lockheed plant but they are not making any more commercial planes. There were I think some twelve or fifteen which have been promised to other people and we did not get them. We are endeavouring to meet that. We will meet it and we are not going to be licked by it. We will need more planes.

Mr. NICHOLSON: The minister (Hon. Mr. Howe) speaking in the House on March 7 mentioned that the C.P.R. lines assisted by the United States army had been able to get new modern planes from United States sources with the result that the equipment of that company was augmented considerably. I wonder if the President (Mr. Symington), could enlarge on that statement, and indicate if they tried sufficiently hard to get it. If the C.P. air lines could get this equipment I should think they should be able to.

Mr. SYMINGTON: I can only explain it this way; most of this equipment being made has been taken over by the United States army and we could not get any of it. We tried to get it but we didn't succeed. I do not know whether the C.P. air lines are getting it or not, I understand they got some; but, remember, they were probably doing some work for the United States' military

carrying passengers into the Northwest Territories. In any event, we did not get them, but we have not left any stone unturned to get them and they are just not obtainable.

Mr. MAYBANK: Do you know the date of these applications for franchises to which reference has been made?

Mr. SYMINGTON: They are comparatively recent.

Mr. MAYBANK: Would you put that on the record, the date of these various applications?

Mr. SYMINGTON: You mean, those made by the other people?

Mr. MAYBANK: Yes.

Mr. SYMINGTON: I think the department would have that. I would not know about it.

Mr. MAYBANK: I do not care whether it is given by the department, or who it is given by; I think it should be a matter of record here.

Hon. Mr. HOWE: The department can furnish that. The department would be the only ones who would have that information.

Mr. MAYBANK: Could it be made a matter of record here.

Hon. Mr. HOWE: I will ask the officers of the department to have that information put on the record here.

Hon. Mr. HANSON: When was the application of the C.P. air lines made for the St. John-Halifax service; and what is the routine to be gone through; and what happened that the Board of Transport Commissioners did not even entertain the application; and on what authority did the minister intervene?

Hon. Mr. HOWE: The minister did not intervene one way or the other.

Hon. Mr. HANSON: You told me in the House that you did.

Hon. Mr. HOWE: Oh, no.

Hon. Mr. HANSON: You said that you had told them not to entertain the application.

Hon. Mr. HOWE: No, no; St. John-Halifax was declared a route away back I think before the war. It was operated for a time by local service.

Hon. Mr. HANSON: For a little while, yes.

Hon. Mr. HOWE: It was closed down on account of military requirements, there was an embargo put on it, a prohibition put on that private service flying into Halifax airport.

Hon. Mr. HANSON: That is correct.

Hon. Mr. HOWE: And at that time the route was cancelled; therefore, there is no route and therefore there is nothing for the Board of Transport Commissioners to consider.

Mr. NICHOLSON: Would not that actually be a route that the T.C.A. expected to develop?

Hon. Mr. HOWE: I inquired as to that. That is a matter for the departmental authorities to discuss. It is not a route at the moment and therefore it is not disposable to anybody. I may say, however, that the C.P. air lines were not the first applicant for this route; there was an application submitted by the Maritime Central Airways, and no disposition has been made of these two applications—or rather, I should have said, of the three applications.

Hon. Mr. HANSON: Who was the third?

Hon. Mr. HOWE: The T.C.A.

Hon. Mr. HANSON: But they will have to be heard eventually?

Hon. Mr. HOWE: Yes.

Mr. MAYBANK: Is the Maritime Central Airways one of the companies which remained completely independent?

Hon. Mr. HOWE: Yes, the Maritime Central Airways. Since then the department through T.C.A. has taken over the route from Prince Edward Island to Moncton and St. John.

Mr. NICHOLSON: My purpose in raising this point was to find out from the president whether the T.C.A. are carrying out what the obvious wishes of parliament were according to the present Act. I would consider that I would be in order in discussing this matter.

Hon. Mr. HOWE: T.C.A. are moving as fast as they can. The Department of Transport are carrying the ball at the moment. They are putting in the necessary facilities which will enable T.C.A. to fly the route. T.C.A. have certain standards of safety which must be preserved; they require a radio beam and a certain standard of landing fields. We are trying to bring both routes up to this standard.

Hon. Mr. HANSON: With respect to Saint John, they are not in a position to comply with the standard?

Hon. Mr. HOWE: Yes. Facilities are being installed.

Hon. Mr. HANSON: You have not got the beam airport. With regard to the airport I understand that private citizens in Saint John brought in an aeronautical engineer from the United States and he did discover a site. You will remember that last year you promised me you would have a survey made. I think you did send some men down. Since this other gentleman has discovered this, what is the position now?

Hon. Mr. HOWE: The position is that we have approved the site. We have examined that and alternative sites, and we have decided that the one recommended by the American expert is the best site.

Hon. Mr. HANSON: That is the Loch Lamond site?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: What is the estimated expenditure?

Hon. Mr. HOWE: Estimates have been prepared—I do not know what they amount to. We have two or three alternate developments.

Hon. Mr. HANSON: It is expensive?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: Is it the policy of the government or the department to provide these sites at public expense?

Hon. Mr. HOWE: No, not for municipal airports.

Hon. Mr. HANSON: For a T.C.A. airport?

Hon. Mr. HOWE: The T.C.A. has no airports.

Hon. Mr. HANSON: They are all government airports? In other words, the government provides—

Hon. Mr. HOWE: If it is a government airport the government airports have been built only for military purposes.

Hon. Mr. HANSON: What about the Moncton airport?

Hon. Mr. HOWE: No, that is owned by the city of Moncton.

Hon. Mr. HANSON: The new one?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: You spent a lot of money on it.

Hon. Mr. HOWE: Yes, we have. We took over these airports at the beginning of the war by arrangement with the owners on the basis of \$1 a year with the understanding that if improvements were needed the government would make the improvements.

Hon. Mr. HANSON: That is the arrangement?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: That is the only way, I think, that the improvements could be made.

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: The local authorities could not do it; they have no revenue. What is proposed with relation to Saint John?

Hon. Mr. HOWE: We have advised the city of Saint John to obtain the land; we have made no commitments beyond that; and we always have, in the past, had the same policy in assisting municipal airports, and we doubtless will again, but we have not formulated that policy for the post-war period as yet.

Hon. Mr. HANSON: So there is reasonable hope then for the building of substantial airports in the city of Saint John?

Hon. Mr. HOWE: I should hope so, yes.

Hon. Mr. HANSON: But not in the immediate future?

Hon. Mr. HOWE: Not until after the war.

Hon. Mr. HANSON: Not until after the war; that is quite definite. I appreciate the fact that the operation will be an expensive one due to the character of the terrain.

Hon. Mr. HOWE: That is right.

Hon. Mr. HANSON: However, the city of Saint John is the largest city in New Brunswick, the commercial metropolis, and it has a right to expect that it will have air transportation?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: Of course, that brings me to my own hamlet. We are the capital of the province and the only capital in Canada that has not got air transportation. It was suggested, and I hoped it would be possible to use Blissville. They have abandoned that idea because of the distance which is against it. The provincial government refuses to pave the highways in the hope, I suppose, that Santa Claus in Ottawa will do it; but I see no hope of getting our communication out of Fredericton via Blissville. Now, the service from Saint John to Halifax and Sydney: We are only about sixty-five miles from Saint John on the airline and we want air transportation.

Hon. Mr. HOWE: How far are you from Blissville?

Hon. Mr. HANSON: Thirty-five miles in a circuitous way, but there are only ten miles of paved road on the route. That is a long way, thirty-five miles, forty-five miles out of Saint John, and the men I have talked to have taken the view that the use of Blissville as an airport for Saint John is out of the question. So what I am pressing you to do when you build after the war—and I am not quarreling with the decision to postpone this until after the war—but I am pressing that when you do build at Saint John that you build at Fredericton. I think you can find a site there very cheaply, and I would urge the city authorities to acquire a site. I do not think we are able to finance the building of a suitable airport, but we could go as far as the site, and we will do what we reasonably can, I am sure. We do not want to be left out of the picture. Now, I do not want to put it more strongly than that, but that, I think, indicates the position which we take. I may not be here, but whoever is here I hope will continue to press for this when the opportune time arrives. I am not going to say more about it. That is a reasonable attitude to take.

The CHAIRMAN: Gentlemen, this is very interesting information but actually Mr. Symington is the witness.

Hon. Mr. HANSON: Yes, I know, but Mr. Howe is the boss; is not that right?

Hon. Mr. HOWE: No.

The CHAIRMAN: I am not so sure about that.

Hon. Mr. HOWE: The only boss is Mr. Symington. /

Hon. Mr. HANSON: I think I am right. There is one question I would like to ask with respect to new services. I understand that Pan American Airways, Mr. Symington, has recently been authorized to fly the route from Seattle to Alaska. That is a new route, is it not?

Mr. SYMINGTON: No, that has been operating since before the war.

Hon. Mr. HOWE: The only concession that has been made to them was made early in the war. They first operated the route with flying boats.

Hon. Mr. HANSON: Who is the boss now?

Mr. SYMINGTON: I want you to know—

Hon. Mr. HANSON: I am only using the expression facetiously.

Mr. SYMINGTON: Before the war Pan American operated a service to Seattle by flying boats outside of Vancouver island, which they can do without asking anyone's leave, of course. As a matter of convenience they asked for the right to land and refuel in Canada but not to take passengers to and from Canada.

Hon. Mr. HANSON: So if a Canadian wants to fly up to Alaska he has to go to Seattle?

Mr. SYMINGTON: That is one way.

Hon. Mr. HANSON: I am not objecting to the traffic.

Mr. SYMINGTON: The other way would be to go on Trans-Canada planes to Lethbridge and fly up from there.

Hon. Mr. HANSON: That is another route?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: That is just a little concession for refueling?

Mr. SYMINGTON: Yes, on a temporary basis.

Hon. Mr. HANSON: With reference to the extension which you suggested between Winnipeg and Edmonton via Saskatoon, is there any service between Winnipeg and Edmonton to-day?

Hon. Mr. HOWE: No.

Mr. SYMINGTON: Not direct, there is a service from Edmonton to-day to Lethbridge and then north from Lethbridge to Edmonton.

Hon. Mr. HANSON: What service is that?

Mr. SYMINGTON: T.C.A.

Hon. Mr. HANSON: You have your own service via Lethbridge?

Mr. SYMINGTON: Quite so.

Hon. Mr. HANSON: You are proposing to establish what would be more or less a direct service?

Mr. SYMINGTON: A direct service; if you will look at the map you will see it will be by all odds the shortest line from New York to the Orient. In addition to that, it is like the railway, it is a second mainline across Canada.

Hon. Mr. HANSON: Now, is that to be postponed too until after the war?

Mr. SYMINGTON: No, no; neither of them is going to be postponed until after the war as far as my understanding goes.

Hon. Mr. HANSON: You have your wires crossed, have you?

Mr. SYMINGTON: Not a bit.

Hon. Mr. HANSON: Then I did not understand Mr. Howe.

Mr. SYMINGTON: As I contemplate we shall operate just as soon as the transport department get the necessary field at Blissville and the communications, which I believe will be this summer. With respect to eastern air communication

there is a landing at Blissville as a temporary measure for the convenience of Saint John and Fredericton, if they can fly by the maritimes.

Hon. Mr. HANSON: Well, so I got my wires crossed.

Mr. SYMINGTON: You see, I am not being bossed.

Hon. Mr. HANSON: Well, we will have to let that pass.

Mr. HANSON (*Skeena*): While we have the minister and Mr. Symington here I should like to be informed on certain matters. We have airports in Edmonton, Prince George, Smithers and Terrace. Last year you did something with regard to an airport for Prince Rupert. You had three sites surveyed, and I understand an appropriation was made to have a port there. What happened to that? Has anything been done? I do not know whether the minister or Mr. Symington can answer that question?

Mr. SYMINGTON: It is not my funeral.

Hon. Mr. HOWE: I cannot say. There was a project under consideration for building a small airport at Prince Rupert. It was dropped on account of the very great expense of the project and also due to the lack of labour in that vicinity. There was a very tight labour situation at the time. When it will be reconsidered as a safe air project, I cannot say.

Mr. HANSON (*Skeena*): There is only a flight of 100 miles to the population on the coast. It seems to me that project should be given careful consideration because Prince Rupert is an important city, from every point of view.

Hon. Mr. HOWE: Of course, you have a fine highway from Prince Rupert to Terrace, 100 miles.

Mr. HANSON (*Skeena*): My namesake was criticizing the thirty-five miles to the airport in his district.

Hon. Mr. HANSON: I have not got a fine highway.

Mr. HANSON (*Skeena*): I would like to ask minister if the project is abandoned for the time being?

Hon. Mr. HOWE: It is abandoned as a military project, yes.

Mr. HANSON (*Skeena*): For the time being there is nothing being done?

Hon. Mr. HOWE: Yes.

Mr. McCULLOCH: I understand that the Maritime Airways in Prince Edward Island want to use the New Glasgow Airport as a mail project between Moncton, Charlottetown and New Glasgow, and they are quite willing to make a daily trip, and I understand that the post office authorities are quite willing to give them a contract for the mail at the same rate as they are giving to the Magdalen islands. I was wondering if there is any data on that?

Hon. Mr. HOWE: That, of course, is a project that was started in a small way before the war. It has not been the policy of the Department of Transport to ask for appropriations for the building of purely civilian airports during the war and the advancement of civil aviation will have to wait until after the war. Another reason is the lack of equipment and lack of personnel. With regard to that airport, it was definitely the intention before the war to give an air service to New Glasgow, and I think that will be one of the first projects to be revived after the war.

Mr. McCULLOCH: The field is ready now for landing of small planes as far as mail is concerned, probably with a very small expenditure to fix up the ends of the field, and there has been some money spent on it—I suppose \$50,000 or \$60,000.

Hon. Mr. HOWE: Had it not been for the war there would have been an airport there now.

Mr. McCULLOCH: We can expect the mail to go there probably within a very short time?



Hon. Mr. HOWE: After the war, anyway.

Hon. Mr. HANSON: Might I clean up the local situation. I will refer to P.C. 6256 dated August 6, 1943, which designated the service from Montreal to Fredericton and Saint John, Saint John, Halifax, and so on; that Montreal, Blissville, Halifax and Sydney be designated as a line of airports to be organized and maintained by Trans-Canada. Now, according to what Mr. Symington has told us it is the intention to put that into operation before the war is over or as soon as proper facilities are available—facilities such as the beam system and the aircraft. But with respect to Saint John it is not the intention to build the airport until after the war and then Saint John will be a regular port of call when the new airport is built and established?

Mr. SYMINGTON: That is not my statement; that is the minister's.

Hon. Mr. HANSON: The first part is yours. I just wanted to get the record straight so they will know what the position is in Saint John. That is substantially correct?

Hon. Mr. HOWE: That is correct.

Hon. Mr. HANSON: Thank you.

Mr. NICHOLSON: Did I understand you have ruled that I am not in order, Mr. Chairman?

The CHAIRMAN: No. I have not made any ruling. If you will come to your point, I shall do so.

Mr. NICHOLSON: I had finished what I was going to say. I merely thought that it was important that the president should make some statement as to whether all the proper precautions which could reasonably be taken, as dealt with by Mr. Bennett when the bill was before the house, are being taken to make sure that we do not have the misfortune of competing Trans-Canada Air Services.

THE CHAIRMAN: The chairman has made a reply to that query already, has he not?

Mr. NICHOLSON: Mr. Howe did.

The CHAIRMAN: Do you wish to press the matter any further?

Mr. NICHOLSON: The president said that it was government policy; but as I understand the duty of this committee, it is to hear the officials of the board once a year in order to find out whether or not they are carrying out government policy or the policy of parliament. I want to know whether the very large volume of requests coming from C.P.A. has resulted from T.C.A. failing to do their job. I should like the president to make some statement on that.

THE CHAIRMAN: I do not think you can expect the president to make a statement on government policy, because that is really none of his business.

Mr. NICHOLSON: I mean, as to carrying out government policy with regard to giving the most comprehensive transcontinental service as soon as the equipment is available.

The CHAIRMAN: You are asking him if they are carrying out government policy as handed over to them. He might make a statement along that line.

Hon. Mr. HANSON: That would seem to be in order.

The CHAIRMAN: I think so, too. That is the way I would rule.

Mr. NICHOLSON: That is all I should like to have.

Mr. SYMINGTON: My answer to that is that we have carried out the services which have been put under the Trans-Canada Act by order in council or which are ordered to us by the government up to the extent to which they were ready to be operated. The lines authorized in the August 6th two orders in council—Blissville-Halifax-Sydney, and Winnipeg-Saskatoon-Edmonton—have not yet

been operated although brought under T.C.A. lines, because the Department of Transport for Air has been unable to get the radio equipment and safety devices that were required in order to comply with what we considered safety operation. They will be flown in accordance with the instructions of the orders just as soon as the department of the government in charge of this tells us that these works are completed.

Hon. Mr. HANSON: That seems to me to be a very reasonable position for you to take.

Mr. NICHOLSON: That is quite satisfactory.

Hon. Mr. HANSON: I do not think anybody can question that. Is there any information you can give us or that Mr. Howe can give us as to when these facilities will be available, or do they not know?

Mr. SYMINGTON: I can only give you what the department have told me. Of course, we do not sit down on these things. The deputy minister is here. He can probably tell you because he is the source of my information.

Hon. Mr. HANSON: I should like to have somebody tell us.

Mr. SYMINGTON: We anticipate, as I understand it, that the eastern ones, Greenwood and Copper Lakes, which are the radio station beams, will be completed, they say, in the month of May; give them another month, because one cannot tell about these things.

Hon. Mr. HANSON: Where are these?

Mr. EDWARDS: They are practically finished.

Hon. Mr. HANSON: Where are they?

Mr. EDWARDS: One is Greenwood, half way between Saint John and Halifax and the other is half way between Halifax and Sydney.

Hon. Mr. HANSON: They are in the course of construction?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: They should be ready to go this summer?

Mr. EDWARDS: Yes.

Mr. EMMERSON: May I ask a question of Mr. Symington having regard to something appearing on page 7 of the report. It says, "At Moncton, the expansion of hangar facilities will make it possible to offer an extensive program of maintenance and servicing to military aircraft operating in the area."

Mr. SYMINGTON: Yes.

Mr. EMMERSON: What type of servicing is it at Lakeburn, that big plant of Clark-Ruse at which they are repairing, overhauling and rebuilding military aircraft. Facilities are there and have been developed.

Mr. SYMINGTON: All we know is that it is the headquarters of a bomber command of the R.C.A.F. They have asked us, as this building was being enlarged, if we could do some servicing of this bomber aircraft command, which we are doing for all the Atlantic routes where we could take care of it down there. That is, where they want us to do it, and we can get the men to do it, we try to do it. We are not seeking their business.

Mr. EMMERSON: There are facilities down there.

Mr. SYMINGTON: The facilities at Moncton are not sufficient for the present work.

Hon. Mr. HOWE: I might explain that Clark-Ruse was set up to handle certain types of aircraft. It carries a complete line of spare parts for certain aircraft. There are various types of aircraft down there, and I think the story is that one particular type of aircraft is handled by Trans-Canada instead of by Clark-Ruse. That is only a temporary arrangement, of course.

Hon. Mr. HANSON: The question is becoming quite acute, because I understand Clark-Ruse is laying off 300 men at Lakeburn and the union alleges that these 300 men are local men while the Ontario crowd are being kept on. I have no doubt the minister has heard about that.

Hon. Mr. HOWE: Let us let Selective Service fight that out.

Hon. Mr. HANSON: I should like you to look into that situation at Lakeburn, because, while I understand it is a private corporation and has the right, I take it, to employ or dismiss whomsoever it will, it is pretty difficult to ask 300 local men to move out and see Ontario men left on the job. The minister might use his good offices to see if that situation can be corrected.

Hon. Mr. HOWE: I will be glad to look into the matter.

Hon. Mr. HANSON: It is a rather sore spot at the moment.

Mr. NICHOLSON: On page 4 at the bottom of the page, mention is made regarding a decision of the Board of Transport Commissioners in connection with permission to carry passengers between Vancouver and Victoria. Would the president tell us what steps he takes when a decision of that sort is handed down or what can be done with reference to getting a decision of that sort reversed? I know the people who travel find it very inconvenient when they are told at Vancouver that they cannot travel by T.C.A. across to Victoria.

Hon. Mr. HANSON: He can appeal to the Governor in Council. The law provides for that.

Mr. NICHOLSON: Could the president answer the question? I should prefer to have the answer from him than from the leader of the opposition.

Mr. SYMINGTON: The situation under the present law is that the Board of Transport Commissioners decide on public necessity and convenience, and they said that in their judgment the passenger service was sufficiently served by the Canadian Pacific Air Lines and therefore they would only grant us the mail privilege in so far as that local traffic was concerned. That was the finding of the board.

Mr. NICHOLSON: Can you appeal that decision?

Mr. SYMINGTON: No, not in so far as we are concerned. The application is usually made, of course, by the municipality, and they can apply at any time to the board for reconsideration if they can show that public necessity and convenience do require that service.

Hon. Mr. HANSON: You made this application, did you not?

Mr. SYMINGTON: No.

Hon. Mr. HANSON: Was it not you?

Mr. SYMINGTON: No.

Hon. Mr. HANSON: It was done by the municipality?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: And they have not appealed?

Mr. SYMINGTON: No.

Mr. MAYBANK: Who made the application?

Mr. SYMINGTON: Nobody has appealed it, in any event.

Hon. Mr. HANSON: The application was made by the municipality?

Mr. SYMINGTON: I should like to verify that. I am not quite sure. We appeared there, certainly.

Hon. Mr. HANSON: You were at the hearing.

Mr. SYMINGTON: Yes. Our people were at the hearing.

Hon. Mr. HANSON: I suggest, Mr. Chairman, that we should get along better if we did not jump around so much. I should like to go through this thing seriatim.

The CHAIRMAN: Well, it is before you. It is in your hands.

Hon. Mr. HANSON: Coming to the next paragraph, government wartime trans-atlantic service, I should like, for purposes of information, to ask if that is a purely government service and T.C.A. is the agent, or is T.C.A. operating that on its own? It would appear to me it is a purely government service?

Mr. SYMINGTON: It is a purely government service in the sense that the government owns the planes,—government accounts. The accounts are not in here at all. We are under orders from the government as to what to do with the planes. All we do is operate them.

Hon. Mr. HANSON: The purpose is to provide a service for the purposes indicated?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: That has arisen out of the war, Mr. Howe?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: I have no objection to that. There was a question I wanted to ask. Would it be in order—and if it is not in order I do not want to press it—to tell us what the United Kingdom terminal is of that service?

Mr. SYMINGTON: Prestwick.

Hon. Mr. HOWE: I do not think that should be put in.

Hon. Mr. HANSON: I think the whole world knows it.

Mr. SYMINGTON: There is an article in the *Saturday Evening Post* about it.

Hon. Mr. HOWE: It used to be taboo.

Mr. EMMERSON: The Ireland base is only used by Pan-American?

Hon. Mr. HOWE: It is used by all flying boats; that is Pan-American and American Export.

Mr. SYMINGTON: All land planes are at the other place.

Hon. Mr. HANSON: The next paragraph is a very important paragraph.

Trans-Canada Air lines, as the sole Canadian agency designated by the government to operate international air services, awaits with interest the results of conferences between governments on matters affecting world air policy, and the completion of international agreements with regard to these services.

I understand Mr. Howe and Mr. Symington attended the conference in London. I have never yet seen any publicity given, or any report made by them. Are we entitled to hear from these two gentlemen on that question?

Hon. Mr. HOWE: That, Mr. Hanson, is purely a matter for the House of Commons. Mr. Symington attended at the conference not as a representative of Trans-Canada but as a delegate of the government of Canada. He did not go as a representative of Trans-Canada.

Hon. Mr. HANSON: When is he Dr. Jekyll and when is he Mr. Hyde?

Mr. SYMINGTON: I do not think there is any Dr. Jekyll in it.

Hon. Mr. HANSON: Were there any other representatives of Canada or Canadian interests at that conference?

Hon. Mr. HOWE: Mr. John Baldwin was there representing External Affairs, and Mr. Massey.

Hon. Mr. HANSON: Mr. Massey representing the government.

Mr. SYMINGTON: And Mr. Symington representing the government.

Hon. Mr. HANSON: There was no representation of private enterprise at that conference?

Hon. Mr. HOWE: No, from anywhere.

Hon. Mr. HANSON: Am I to understand that this committee is not entitled to hear any report as a result of that conference even though Mr. Symington refers to it in his report?

Mr. SYMINGTON: I do not.

Mr. MAYBANK: Where is it in this report?

Hon. Mr. HANSON: I read the paragraph.

Mr. MAYBANK: Where is there anything as to the result of the conference?

Hon. Mr. HANSON: He referred to it in his report.

Mr. SYMINGTON: No.

Hon. Mr. HANSON: He and the minister were the main representatives. I suggest we are entitled to some report.

The CHAIRMAN: What page are you on?

Hon. Mr. HANSON: Page 3 of the report.

Mr. HANSON (*Skeena*): It should be in the House of Commons.

Hon. Mr. HANSON: You take that view. I take the view that because it is referred to in this report it is a matter for discussion here. I think I am in order. I have not any doubt of it.

Mr. HANSON (*Skeena*): You are always in order.

Hon. Mr. HANSON: I hope so.

Hon. Mr. HOWE: The position of Trans-Canada is quite clear. It says it awaits with interest.

Hon. Mr. HANSON: I understand that, but nevertheless the president of Trans-Canada and the former Minister of Transport, who is still, as I assume, directing Trans-Canada, were the official delegates. We have not had any report. Are we to get one?

Hon. Mr. HOWE: That is a matter for the House of Commons, is it not?

Hon. Mr. HANSON: I would not think so.

Hon. Mr. HOWE: I was expecting to debate that long before this but you were not ready.

Hon. Mr. HANSON: I was ready. However, what you are telling me, if I read between the lines, is that you are going to make a report to the House of Commons. I am quite satisfied.

The CHAIRMAN: Next paragraph.

Hon. Mr. HANSON: I should like for the purpose of information to ask a question or two about the basis of compensation for the carriage of mail. Perhaps we ought to have that picture up to date from the beginning. Was it always on the basis of plane miles and not poundage? I am not familiar with it. That is why I ask.

Mr. SYMINGTON: Always has been the same; the contract is on statute.

Hon. Mr. HANSON: Based on a statute?

Mr. SYMINGTON: Based on a statute.

Hon. Mr. HANSON: And the underlying principle there is that it is based on plane miles?

Mr. SYMINGTON: Plane miles flown.

Hon. Mr. HANSON: Not on weight?

Mr. SYMINGTON: Not on weight at all.

Mr. MAYBANK: Each change we have made has necessitated a change in the statute, has it not?

Mr. SYMINGTON: No.

Mr. MAYBANK: I thought the price was set in the statute and each time a change has been made the statute was altered?

Mr. SYMINGTON: There was a temporary price set for the first two trial years. Then it was fixed upon the results. The result has been that the price has dropped from 68 cents to 42 cents.

Mr. MAYBANK: I thought we changed the statute at that time.

Hon. Mr. HANSON: I think there was something.

Mr. MAYBANK: I may be wrong.

Mr. SYMINGTON: I do not think in that respect.

Mr. JACKMAN: Is the plane mile rate going to be lowered for 1944 because of the results in 1943?

Mr. SYMINGTON: Yes, it will be lowered, but not very much. As you see, our profits are only \$187,000.

Hon. Mr. HANSON: Of course, your operating expense have just leaped.

Mr. SYMINGTON: I expected to be asked about that.

Hon. Mr. HANSON: We are going to ask you a lot later.

Mr. JACKMAN: Was there any complaint on the part of the Post Office in regard to the contingency reserve you set up out of last year's operating account which was resulted in a lower operating profit?

Mr. SYMINGTON: Yes, the Post Office Department questioned it, and the matter was taken up in great detail as to the reasons which are perfectly understandable if you want them explained to you. The policy of other airlines, American and others, was shown, and after a very thorough investigation they withdrew their objection and thought it was a proper charge.

Hon. Mr. HANSON: What is the basis now?

Mr. SYMINGTON: The basis is that because of war conditions Trans-Canada is carrying today in inventories over \$1,000,000 when they would ordinarily carry probably \$400,000. You have to ensure you are going to run your planes. Now, as you retire your planes in a certain number of years the inventories and parts are taken out if there is anything wrong with them, they are re-fixed and they are put back into inventory at a written-off amount, but ultimately some time that inventory, understandably large because of the war situation, from obsolescence, and so on, is going to be worth a great deal less money because the planes for which they were bought will be out of commission. Therefore we figured that a 20 per cent reduction because of war costs, the extra amount we had to carry for safety, should be written off. It amounted to \$218,000, much less than American lines are doing. I intend to submit another \$218,000 this year. The Post Office will probably object. It will be gone into and right, according to good business principles, will be done. That is about the situation.

Hon. Mr. HANSON: You have made that quite clear to me. It is because of the inability to get supplies and the high cost of producing supplies that you have adopted this policy?

Mr. SYMINGTON: Quite so, and it is a safe business policy.

Hon. Mr. HANSON: Are we still above the American mail subvention, and if so, how much?

Mr. SYMINGTON: As I told you last year that is always a difficult question to answer. We are above. They are on a poundage basis. Our .94 mills which we reached in December is above certain lines, the lines running between thickly populated places. It is less than smaller lines. As to the average I would say that they are probably below us some, but not very much.

Hon. Mr. HANSON: In other words, you say it is because of the density of traffic? Is that the right term?

Mr. SYMINGTON: Density of traffic, yes.

Hon. Mr. HANSON: We often hear that term. Railway people use that term a good deal. Because of the density of traffic in the United States as compared with ours, ours has to be higher?

Mr. SYMINGTON: That is the answer.

Hon. Mr. HANSON: And that will probably continue, Mr. Symington, will it not?

Mr. SYMINGTON: Well...

Hon. Mr. HANSON: In a measure?

Mr. SYMINGTON: It may: We have tried to figure out what density of traffic we would have to have in the number of trips to carry mail free some day. That can be worked out.

Hon. Mr. HANSON: That will be the millennium.

Mr. SYMINGTON: But, of course, we are always up against the fact that we pay very high duties on all our equipment and all our supplies. They cost us a great deal more than they cost them. There is also the fact we cannot ever handle except four engine planes as big planes in Canada as in the United States because we have to be able to fly to Winnipeg and perhaps farther from Toronto without landing because of our peculiar climatic conditions. We could not use the big plane that they use in the United States today. They have not got the range or speed for our particular characteristics.

Hon. Mr. HANSON: They have not got what?

Mr. SYMINGTON: Neither the range nor the speed.

Mr. MAYBANK: Dealing with the operating expenses you have mentioned you have increases in revenue but the increase in operating expenses is not proportionate.

Mr. SYMINGTON: It is greater.

Mr. MAYBANK: Revenues, \$2,042,183 and expenses, \$2,346,503; what is the explanation of that?

Mr. SYMINGTON: I think that is a very proper question, and I am prepared to answer it. On the face of it, the increased expense is out of line with the additional revenue. Our revenues increased by 28 per cent and our expenditures by 35 per cent, and that should be explained.

There are many factors which enter into the analysis:— extensions in route mileage; additional flights on existing routes; decrease in mail pay per plane mile.

Mr. MAYBANK: What is that last one?

Mr. SYMINGTON: Decrease in mail pay per plane mile; our rates went down last year. Decrease in express rates to T.C.A. under revised divisions with the express companies; they found they could not do business at the 25 per cent for collection, distribution and so on and the new contract provided for 33 per cent. Enlargement of service rendered on repair and overhaul of engines, propellers and instruments for the R.C.A.F., and for the B.O.A.C.; additional depreciation and insurance on the six new Lodestars added late in 1942 and the increased valuation of 14s converted to 14.08s; the cost of living bonus, less experienced ground personnel, pension costs, creation of a reserve for post-war inventory adjustment.

Mr. MAYBANK: Would you just stop there? As to less experienced personnel that actually added to the cost in what manner, in increases of personnel?

Mr. SYMINGTON: Increase of personnel. Naturally selective service or the war has taken a lot of our best men. We have to take less experienced personnel and break them in. A great many women came into the shops. They are very good people but they need training and it takes time and expense.

Mr. MAYBANK: Is there an increase of women?

Mr. SYMINGTON: Yes, there is 5 per cent more women.

Mr. MAYBANK: And relatively more personnel, anyway?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: On account of inexperience.

Mr. SYMINGTON: Yes.

Mr. MAYBANK: I do not mean because of the increase of traffic. I mean by reason of inefficiency do you have to have more? Did you add to your wage bill that way?

Mr. SYMINGTON: Yes, and add to that the fact that the help was not as experienced as it was before, the training of them.

Mr. MAYBANK: I broke in on your statement.

Mr. SYMINGTON: Would you let me finish it?

Mr. MAYBANK: Yes.

Mr. SYMINGTON:—less experienced ground personnel, pension costs, creation of a reserve for post-war inventory adjustment and the additional expense incidental to the large number of priority passengers carried.

Hon. Mr. HANSON: Why would that be, they pay the same rate?

Mr. SYMINGTON: With the deplaning of passengers, Mr. Hanson, the paper work, the telephone work, the personnel work, the administrative work increases tremendously; all the time you have got to practically wet-nurse these people so as to keep them satisfied that they were really put off the plane for war purposes, that they were not being militated against; so it actually increases your traffic staff by very large numbers to take care of people who have to be deplaned—for instance, in respect to the arrangement for them to go on trains or to get there otherwise, and it has added substantially to our operating costs.

Hon. Mr. HANSON: That is understandable.

Mr. SYMINGTON: We must allow for the amount of \$244000 added to the insurance reserve during the year. Some of the factors help our financial results, others do not. I do not think it would be helpful to the committee if I were to attempt to say how each of these things added to or subtracted from our net results, nor is it necessary.

In my opinion the complete answer lies in the fact, mentioned in the report, that payment to the company for the carriage of mail is based on plane miles flown and not on the poundage carried.

Our passenger traffic increased in volume 34 per cent and in revenue 37 per cent; express increased in volume 126 per cent and in revenue 91 per cent; excess baggage increased in volume 67 per cent and in revenue 104 per cent; mail increased in volume 61 per cent and in revenue only 9 per cent.

There was a decrease in the rate per plane mile from 45·57 cents to 42·90 cents. This decrease in rate reduced our revenue by \$216,000 and of course is not offset by any reduction in expense. That is in plane mileage.

Mail poundage increased by 61 per cent. Now I do not suggest our mail revenue should have increased 61 per cent. If it had we should have had an additional \$1,655,000 of revenue which would have carried through to net income. Pounds carried is not the best yardstick. Mail may be carried from Montreal to Ottawa or it may be carried from Montreal to Winnipeg or Vancouver. We should use mail pound miles which takes account of both volume and distance. Using this yardstick the increased volume was 43 per cent and had we had a corresponding increase in revenue our results would have been \$1,077,000 better than they were. Now again please do not misunderstand me. I am not suggesting the post office should increase the mail rate. The rate is governed by the mail contract which is not in question. What I am explaining is why our revenues have not increased proportionately with our expense. The committee will under-



stand of course that to handle this large increase in mail necessarily means a large increase in expense. It also reduces our passenger revenue because in these days when the lanes are carrying their maximum loads an increase in mail means the deplaning of one or more passengers. People sometimes wonder how it is passengers are refused passage when there are vacant seats in the plane. The answer generally centres around the weight of mail and fuel which must be taken aboard. Planes, like ships, have their loading marks which must not be exceeded. We made an analysis of this in the month of December and found the amount of passenger revenue lost because of heavy mail loadings amounted to between \$50,000 and \$60,000.

Hon. Mr. HANSON: You have a case against the post office, haven't you?

Mr. SYMINGTON: As I say, I am not criticizing. That is all right. That is controlled in this Act and we are not complaining about that. We have a contract with the government and it is a good contract. In other words, the burden shouldered by us creates a benefit for some other department and in this case the beneficiary is the post office department, which is a department of the government.

And now, it would be interesting to you I think to hear how this compares with the earnings of the post office department relative to last year on the same basis on which it was computed; on the basis originally outlined to this committee in 1941 by Mr. Coolican, in which it was agreed that there were fifty letters to a pound and he took the figure of two cents a letter to cover the ground handling costs. That was the basis which we have always given this committee—and I will tell you this, that I think it may be too fair to us and not fair enough to the post office; but, taking it on that basis, the postal revenues for the year for mail carried by Trans-Canada was \$12,634,659. They paid us \$3,515,807.

Hon. Mr. HANSON: They are making money I would say.

Mr. SYMINGTON: Which leaves a balance of \$9,118,852. Now, if you deduct from that the two cents a letter for their overhead, ground work and so on, \$3,726,607; that leaves them a profit of \$5,392,245 and a distribution of two cents on their overhead.

Hon. Mr. HANSON: Are you taking into account the one cent extra?

Mr. SYMINGTON: The one cent extra, and that meant a million for them on that and I understood the post office get that. I have the figure here of the increase in postal rates. This is as from the 4th of April, 1943, and it accounted for \$1,454,000 of the profit of \$5,392,000.

Hon. Mr. HANSON: That accounts for it.

Mr. SYMINGTON: And now, the post office department dealt with that subsequently, although that was their original choice, it was not fair to them; and the postmaster general (Hon. Mr. Mulock) discussed it during the amendment to the Special War Revenue Act in the House of Commons on April 5, 1943, and claimed that because of certain duplication and to the fact that mail originating outside of Canada brought them no revenue—and I say that is their business and not ours—that therefore they carried certain mail from outside of the country for which they received no direct revenue—

Hon. Mr. HANSON: But they get a quid pro quo through the international postal agreement.

Mr. SYMINGTON: Then taking into account a further 30 per cent allowed for possible duplication of routes—that is cases where mail may be diverted from one route to another—that figure is reduced from \$5,392,000 to \$2,719,829. First may I say in comparing the two years, taking them as indicated first, a profit of \$5,392,245, their additional profit from that source in the year 1942 was \$1,407,702. And in the second case, instead of being merely \$719,829, it was

\$1,321,573. By either test they have increased their profits from air mail as between the two years by over a million dollars, do you see.

Hon. Mr. HANSON: Yet on the basis of operating revenue of \$9,379,501 at miles flown of 8,963,786 the revenue air mail is 1·04, that is the gross air mail revenue; and 37 per cent of that is ·429 per mile, leaving you an operating revenue of ·61 cents per mile; a very substantial amount of your revenue still comes from mail?

Mr. SYMINGTON: It is now 38 per cent and it is constantly getting less. Last year it was 44 per cent I think while to-day it is 38 per cent.

Hon. Mr. HANSON: I had it figured out at a little less than 37 per cent.

Mr. SYMINGTON: I think it is 38 in the report—yes, it is 38 per cent.

Hon. Mr. HANSON: Is 37 percent right?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Therefore a very substantial part of your revenue comes from air mail.

Mr. SYMINGTON: 37 per cent. It started at 80 per cent and now it is down to 37 per cent. How much further down it will get I do not know. But you see under the scheme, the frame work, whatever we earn adds a benefit to the post office. We do not make anything.

Hon. Mr. HANSON: And it is somewhat at the expense of the travelling public.

Mr. SYMINGTON: Under the Act, Mr. Hanson, we must apply the same rates as our competitors to the south. It is provided for in the Act which leaves us exactly the same as the United States rates, and far below our competitors in Canada.

Hon. Mr. HANSON: You mean passenger rates?

Mr. SYMINGTON: That includes passenger, express and everything; it is on the same competitive basis.

Mr. MAYBANK: Does that include tax on your tickets?

Mr. SYMINGTON: Including tax, did you say—I do not know that I understand your question.

Mr. MAYBANK: I say the rates—naturally it has nothing to do with taxes.

Mr. SYMINGTON: We charge so much a mile say on a run from Winnipeg to Vancouver, the same as they charge across the line for the same distance across the continent for mileage; that is the reason why we claim that we can carry them from Seattle to New York cheaper than they can, because ours is a shorter line.

Mr. MAYBANK: And of course they have a tax and you do not.

Mr. SYMINGTON: Well, of course, that is a matter which I do not suppose we ought to discuss. My contention is that both we (air lines) and the railways are paying 100 per cent tax because we make nothing.

Hon. Mr. HOWE: All their earnings go as taxes.

Mr. MAYBANK: You could never convince me of that, Mr. Howe.

Hon. Mr. HOWE: I beg your pardon?

Mr. MAYBANK: My reference to taxes was relating to rates; I buy a ticket from here to Winnipeg and I pay so many dollars and then added to that is a tax; what I was trying to get at is they may charge the same rates, and does that take into account any additional taxation?

Hon. Mr. HOWE: Yes, there is a flat rate fixed by C.A.B. Board over there and by our Board of Transport Commissioners in Canada.

Mr. MAYBANK: But actually is it not more expensive for a passenger to arrange transportation over your line from Moncton to Vancouver than it would be for him to fly say from Detroit to Seattle on the American side?

Mr. SYMINGTON: I think not.

Hon. Mr. HANSON: They have a tax on their ticket?

Mr. SYMINGTON: They have a tax too.

Mr. MAYBANK: And it works out the same way as to the price they pay.

Mr. NICHOLSON: Is not their rate 10 per cent tax compared to our 15 per cent?

Mr. SYMINGTON: It is slightly less, I am not sure about the figures. I think it is the other way around; I think theirs is 15 per cent and ours is 10 per cent.

Hon. Mr. HANSON: Ours is 15 per cent.

Mr. SYMINGTON: Then theirs is 15 per cent now.

Hon. Mr. HANSON: Is it?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: Isn't that right, isn't their rate on transportation 15 per cent?

Hon. Mr. MICHAUD: I do not recall, I could not tell you that at the moment.

Mr. NICHOLSON: I think ours is 15 per cent and I think it is 10 per cent in the United States.

Mr. COOPER: It is 15 per cent in the United States.

Mr. SYMINGTON: Yes, I think it is 15 per cent in the United States.

Mr. JACKMAN: Apparently the passenger rates on the T.C.A. are supplying a considerable proportion of your revenue, because there is an over-all profit on the line; if the postal rate goes down each year how are you going, in fairness to the travelling public and in fairness to the air mail public, how are you going to arrive at a fair rate for passenger service on the T.C.A.; are you guided entirely by the operating rates in the United States?

Mr. SYMINGTON: No. The Board of Transport Commissioners fix the rates that are maximum. The rates are fixed by them.

Hon. Mr. HANSON: By statute.

Hon. Mr. HOWE: The Trans-Canada Act provides that the rates shall be competitive with the rates of parallel lines in the United States.

Mr. JACKMAN: Are they maximum rates?

Hon. Mr. HOWE: It provides that the basic rates shall be competitive.

Mr. MAYBANK: Then apparently the Trans-Canada Air Lines cannot lower their rates unless there is a corresponding decrease in rates of the parallel line across the country to the south?

Hon. Mr. HOWE: That is right.

Hon. Mr. HANSON: Is that correct; does it have to be comparable with a comparable service in the States?

Hon. Mr. HOWE: Yes.

Mr. JACKMAN: And are the rates which are applied maximum rates or the minimum rates?

Mr. SYMINGTON: That again is a question which you will have to leave to the Board of Transport Commissioners or somebody outside of us. The Act sets forth that our rates must be comparable—and, by the way, we have no objection to that—we file our rates with the board and they approve of them.

Hon. Mr. HANSON: You say they approve of them?

Mr. SYMINGTON: They approve of them.

Hon. Mr. HANSON: And there is no decision that governs the point I have raised?

Mr. SYMINGTON: No.

Mr. JACKMAN: Is the statute based on some international agreement, that our rates be parallel to the American?

Hon. Mr. HOWE: No, no.

Mr. SYMINGTON: When we started operating this line nobody knew anything about the operation of air lines in Canada, except that we did know that we were just a small country with a small originating population; and as this was a government operation they protected themselves by saying that our rates were to be comparable to similar lines in the United States.

Hon. Mr. HOWE: The Act reads this way:—

For the transportation of passengers and goods by the corporation at tariff charges on a competitive basis with other similar transportation services in North America.

Hon. Mr. HANSON: If they reduced their rates you would be entitled to reduce yours and vice versa?

Hon. Mr. HOWE: We would have to.

Hon. Mr. HANSON: Is there a table here which shows a breakdown of these operating expenses?

Mr. SYMINGTON: I can give you a breakdown of anything you can possibly ask for.

Mr. JACKMAN: Before we leave this matter of rates, from the standpoint of public services is it better to try to make the mail rates as low as possible to the post office or should one deal fairly with the passengers who are also making the service cheaper? What are the pros and cons that the manager of an airline should consider?

Mr. SYMINGTON: It is inherent in the Act. I think that there might come a time when the mail rates might get too low, but it has not reached there yet. The criticism has been the other way. And if Canadian Air Lines is able to put in lower rates than the air lines that run through the much more productive country to the south, why it would be a very commendable enterprise, and I do not think we need to worry about it at the moment. I should say that we have not reached that stage, but if we give comparative rates with what the competitive people to the south do as to the matter of passengers we are doing pretty well.

Mr. NICHOLSON: If the volume of mail continues to increase will the situation which was described for November, when there was a loss of many thousand dollars as a result of carrying so much mail—if the volume of mail increases what will be the result?

Mr. SYMINGTON: The answer, of course, is that in that time we hope to be able to get more equipment in which case we will meet and carry everything that is ordered.

Mr. NICHOLSON: I understand from these figures that had you been able to leave some of the mail behind and carry passengers to your full capacity you would have had \$40,000 additional revenue for the month?

Mr. SYMINGTON: Yes, \$50,000. It was December I referred to, and, of course, the Christmas mail was very heavy during that week. Instead of carrying fourteen passengers on a plane for many of the trips in fact we put on a stop order and we only took four people because we were carrying so much mail, and mail has precedence, and properly so.

Mr. MAYBANK: If you have fourteen sacks of mail extra you do not get anything extra for that. You might carry two or three passengers, but that is a loss.

The CHAIRMAN: Is there no limit on your poundage of mail?

Mr. SYMINGTON: Twelve hundred pounds.

Mr. JACKMAN: I suppose the business needs of the country are greatly increased around Christmas time. I think the policy should be examined. I suspect that the great increase in mail poundage all through the Christmas period is due to greeting cards.

Mr. SYMINGTON: I do not know. It is the spirit of goodwill, anyway.

Mr. JACKMAN: I think there are many people who need to travel at that time too.

Mr. SYMINGTON: The travel is goodwill travel too. It is Christmas travel. I have only given you the facts and figures.

Mr. JACKMAN: Some of the dollar a year men might have wished to go home. That is a war effort.

Mr. NICHOLSON: When you are carrying 1200 pounds of mail what is the maximum number of passengers you can carry?

Mr. SYMINGTON: That depends upon the length of the run you are making because distance involves the carrying of more gasoline.

Mr. NICHOLSON: From Toronto to Winnipeg?

Mr. SYMINGTON: From Toronto to Winnipeg, 1,200 pounds of mail? We would not take many passengers eight out of fourteen, probably.

Hon. Mr. HANSON: There is an item here: Operating expenses, \$8,974,000 on page 4. Is that the sum total of the tables on pages 11 and 12?

Mr. SYMINGTON: Yes, those are the details of that.

Hon. Mr. HANSON: We will come to this a little later on. I would like to ask you a question with regard to the personnel in relation to the number of planes you operate?

Mr. SYMINGTON: Item 601, page 11—is that where you are?

Hon. Mr. HANSON: No, I am coming to the question of personnel.

The CHAIRMAN: I think we had better adjourn now, gentlemen, with the understanding that we will meet at 4 o'clock if the house gives us permission so to do.

The committee adjourned at 1 o'clock p.m.

#### AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: We have a quorum. We shall proceed from where we left off this morning.

Mr. JACKMAN: Where was that?

Mr. SYMINGTON: I had given my explanation of the increased expenses.

The CHAIRMAN: Page 10, was it?

Mr. SYMINGTON: Yes, the increased expenses.

Mr. JACKMAN: I suppose ordinarily in operating a line such as this you would expect that, with increasing volume, you would be able to carry a larger part of the gross to net; that is, under ordinary circumstances. The law of increasing return would apply rather than that of diminishing.

Mr. SYMINGTON: Well, generally so, yes. But of course, if you have to carry mail as is required under the particular circumstances in this case—

Mr. JACKMAN: Your costs have gone up. The point is that your costs have gone up at a faster percentage than your revenue?

Mr. SYMINGTON: Yes. That is because we have provided capacity, gasoline and everything else for the carriage of a 61 per cent increase in mail and have not got anything for it, so that the capacity has been non-remunerative capacity.

Mr. JACKMAN: If this were a private company, would you agree to the terms embodied in the present post office contract?

Mr. SYMINGTON: Only if it were a non-profit company.

Mr. JACKMAN: Yes. It is an unreasonable type of contract, is it?

Mr. SYMINGTON: It just depends on how you put it. The benefits of the contract go to the government who own the line, that is all. It does not make any difference to us. It cannot make any difference. We do not get anything anyway.

Mr. JACKMAN: I appreciate that. But for the purpose of comparison, so that the taxpayers will know whether or not you are succeeding or slipping back, it might be well if you would show a net increase in surplus or a decrease, rather than have it go through another channel, though eventually to the same source, namely the government.

Mr. SYMINGTON: It may be so. But there is not any question, Mr. Jackman, as far as I can see, that this line has produced more results this year for the money spent than it ever has.

Hon. Mr. HANSON: Just what do you mean by that?

Mr. SYMINGTON: I mean, it has given more service, has been better operated than it ever has been.

Mr. JACKMAN: That is a general statement; and we cannot quarrel with it, I do not suppose.

Mr. SYMINGTON: There are many obvious things that show it. For instance, we have run 1,300,000 more miles of mileage and our gasoline bill is not up anything like that. We are operating more efficiently, even with older planes. If you operate your machinery the way we have had to do, because we have not been able to get new planes, it means a great deal of maintenance. If you operate under the rules of running an air line, after so many hours in the air you give it what is called "check No. 4", and after so many more hours you give it check No. 5, check No. 6 and check No. 7, which means taking a plane completely apart and putting it together again. If you are running your machinery to capacity the way we are, you have to have these checks so much more frequently that it takes a great deal of maintenance to do that.

Mr. JACKMAN: Oh, yes.

Mr. SYMINGTON: So that your maintenance costs naturally are up. At the same time when you are operating your equipment to the extent that we are, and the plane is either full of people, full of mail or full of express, of course you are getting a better result—it must be so—in the ultimate value of the service you render for that amount of money.

Mr. JACKMAN: Have you any figures showing the percentage of use to capacity of the flights?

Mr. SYMINGTON: Yes, we have. It is one of those things which is comparatively relative. It is 83 per cent. That, of course, arises because you do not carry 100 per cent from Vancouver to St. John's, Newfoundland, because you are dropping off and taking on.

Hon. Mr. HANSON: It would appear to be a fair average.

Mr. SYMINGTON: Oh, very high, Mr. Hanson; very high. It could not be much higher.

Mr. NICHOLSON: It is 83 per cent this year compared with 74 per cent last year.

Mr. SYMINGTON: Yes.

Mr. JACKMAN: What page is that?

Mr. NICHOLSON: Page 10.

Hon. Mr. HANSON: It shows too that the people are going to use it more and more all the time.

Mr. SYMINGTON: Mr. Hanson, if we had the planes, I could not hesitate a minute in having four trans-Canada services; and between Montreal, Ottawa, Toronto and Windsor, I would have at least six, and I am perfectly satisfied I could fill them full.

Hon. Mr. HANSON: Yes. Of course that just means that there would be room for private competition to start up competitive lines. That is all that means.

Mr. SYMINGTON: I do not think so. I am not going to argue that with you. All I can say is that if we had the operation that I have set forth, I think we should pretty nearly make enough money to carry the mail free.

Mr. HANSON (*Skeena*): Why necessarily a private company, Mr. Chairman? If the facilities were available, why could not the present government-controlled air lines get it, without a private company getting into it?

Hon. Mr. HANSON: You are a believer in the incentive motive in your own business, the profit motive. There is nobody in this country who believes in it more than you do, my friend, and for the same reason.

Mr. HANSON (*Skeena*): I believe that many commodities belong to the people of Canada.

Hon. Mr. HANSON: If that is so, and if there is the demand for air transport that Mr. Symington would have us believe there is, there is a field for competitive services in those branches.

Mr. HANSON (*Skeena*): Why can we not extend that ourselves?

Hon. Mr. HANSON: Because you will not get, under a non-profit, government-owned system, the service that would be given where there is the urge for private profit.

Mr. HANSON (*Skeena*): The people of Canada get the benefit of the services.

Mr. SYMINGTON: I do not want to enter into this argument if you are not suggesting that they are not getting the service. But if you are suggesting that they are not getting the service, I do. I think this committee will be interested to know something about the reputation of these air lines. When I was in London, much to my surprise and gratification, the first man who came to me was from Burma, who said he had heard about this Trans-Canada operation, and wished to have the chance to study our methods and so on, he thought it was such a wonderful achievement. The next man was Sir Frederick Symes, the leading airman of India. The next were South Africans, Australians, New Zealanders. Everybody at that conference said that they considered T.C.A. the outstanding accomplishment in commercial air lines. I did not even know they knew about it.

Hon. Mr. HANSON: That is high praise. By that do you mean that a competitor could not give you as good service?

Mr. MAYBANK: Let us get the balance of this statement. It would be interesting.

Mr. SYMINGTON: I have had representatives from three of the devastated countries over inspecting our lines and the methods used, for the purpose of setting up in their own countries. The Australian man is on the way here now and asks permission to study our methods and so on; and the United States' lines admit that the operation of T.C.A. is a better operation than any of their own lines.

Hon. Mr. HANSON: I should like you to produce evidence of that.

Mr. SYMINGTON: The evidence is here. It could not be otherwise. The evidence is here in those figures.

The CHAIRMAN: I do not believe that this is the time or place to argue the question of private ownership as against public ownership.

Hon. Mr. HANSON: No, perhaps it is not. But it naturally arises out of the statement of the president.

Mr. SYMINGTON: No, no.

Hon. Mr. HANSON: That if they had the facilities they could do a huge business.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: I say if there is a demand for this service in Canada, there is room for competitive service. That is the view I take, anyway.

Mr. SYMINGTON: Well, I would only submit this: here we have, as you know, a country four thousand miles wide.

Hon. Mr. HANSON: No, long.

Mr. SYMINGTON: Well, long, if you like; and one hundred miles wide.

Hon. Mr. HANSON: Three hundred miles wide.

Mr. SYMINGTON: And with relatively few people.

Hon. Mr. HANSON: Yes.

Mr. SYMINGTON: And of course, the more traffic you can get, particularly in the east, where the expenditure per pound handled is very great, the more of your organization and overhead you can get in that line, the better it is going to be. You must remember this. In this case we have \$4,600,000 worth of capital in Trans-Canada Air Lines. The Dominion of Canada, as the Dominion of Canada, has, I suppose, or when they pay the \$58,000,000 to the United States, they will have \$100,000,000 in it. In other words, the government are putting up 95 per cent and the air lines, whether it be private or public, 5 per cent.

Hon. Mr. HANSON: Is that so?

Mr. SYMINGTON: Roughly, I would think that. Add to that the fact that you are in the public service, the basic load is the post office, and therefore a good portion of your revenues also come from the government. Here is a line set up by the government with \$4,600,000 capital. I would not sell that line to-day if I owned it, for \$25,000,000; and it has been made basically from government revenues and government privileges.

Hon. Mr. HANSON: In other words, Mr. Symington,—

Mr. SYMINGTON: I am a private ownership man, but I say that your case as against the air line is the weakest you have in the whole controversy.

Hon. Mr. HANSON: I am glad to hear you say you are a private-ownership man.

Mr. SYMINGTON: I am.

Hon. Mr. HANSON: I look upon you as the high priest of private ownership, you and your company.

Mr. SYMINGTON: That is all right. I always have been a private-ownership man.



Hon. Mr. HANSON: I am astonished to find you defending the principle of public ownership and monopoly in the case of Trans-Canada Air Lines.

Mr. SYMINGTON: My views do not matter. But I would suggest to you that I am not one of those who state that black must be black and white must be white. I suggest, as a private-ownership man, that the private ownership people who argue from T.C.A., have picked out the one service which has more reason for being under public ownership than any other.

Hon. Mr. HANSON: That is a matter of opinion.

Mr. SYMINGTON: Well, of course.

The CHAIRMAN: Order. Let us proceed.

Mr. NICHOLSON: Mr. Chairman, did I understand that Mr. Symington—

Hon. Mr. HANSON: This is a very interesting discussion.

The CHAIRMAN: But it is the wrong place for it.

Mr. NICHOLSON: Mr. Symington said that if he were a private ownership man—

Mr. MAYBANK: He did not say if he were. He said he is.

Mr. NICHOLSON: Then may I put it another way. Mr. Symington has been very successful in a number of important fields. If he and some of his associates had gone into transport by air in 1937, and now had these assets that are shown in this report he has tabled as worth something over \$8,000,000, would he consider that he now had a \$25,000,000 asset?

Mr. MAYBANK: He said if he owned it, he would not sell it for \$25,000,000.

Mr. NICHOLSON: He would not sell it for any less than that.

Mr. JACKMAN: There is nothing to show that he is going to sell it.

Mr. NICHOLSON: I hope it is not going to be sold at all.

Mr. SYMINGTON: Unfortunately, I do not have anything to say about that.

The CHAIRMAN: Order, please.

Mr. NICHOLSON: I agree with Mr. Hanson that the pros and cons of public versus private ownership should come before this committee frequently. If there is any reason why T.C.A. should be given to private ownership or whether private firms should be able to come into competing fields, as C.P. plans on doing, this committee should be prepared, I think, to make certain recommendations. I think, in the light of this report and the record of T.C.A., it would be a great misfortune if this public utility should not be continued as such.

Hon. Mr. HANSON: I am not suggesting that it should be sold. What I am suggesting is that with a sugar-daddy like the federal government behind the T.C.A., no monopoly like that will succeed. That is true, is it not?

Mr. SYMINGTON: No.

Mr. DONNELLY: Mr. Chairman, did I understand Mr. Symington to say that the report of this company, Trans-Canada Air Lines, compares favourably with any company in America?

Mr. SYMINGTON: Absolutely.

Mr. DONNELLY: Or any company in the world?

Mr. SYMINGTON: Yes.

Mr. DONNELLY: And it is because of the comparison that this company makes with any other private company which makes him believe that public ownership is the best for them. Have you any companies that you can compare it with?

Mr. SYMINGTON: You can compare it with any of the private companies in the States or any place else; mostly the States. That is about the only place there are any. I am not going to get into an argument about it. I simply said, when it was

suggested that the services would be better if there were competition, that I cannot concede that. There is no better service that can be given than is being given by this company.

Mr. HARRIS: I wonder if the witness, who has made the statement as to the services of this company, the T.C.A., comparing favourably with United States lines, will be good enough to table the rates per plane mile flown in particular mail services in the United States and in Canada, to amplify the statement that he made that our services here were considered even better than those that are presently in operation in the United States.

Mr. SYMINGTON: I did not quite follow it. I don't think I got the question.

Mr. HARRIS: Let me enlarge on it just a little. The T.C.A. has the key to the cash box of the Post Office Department, and has had from the inception. That is recited on page 4 where the rates have come down from 60 cents to 42·9 cents and still are not down as low as obtains in the United States. Now, if we have a statement from the witness setting out the rates paid for the carriage of mail per plane mile in approved mail service in Canada and the United States then we will have some idea as to how it has been possible for us to build up a very satisfactory service in Canada which to my mind is largely due to the fact we have access to a rate per plane mile in the contract with the Post Office Department much in excess of what obtains in the United States. Therefore, I say it is not just fair to make a statement such as the witness made just now that we have made such a great accomplishment as compared with the United States. Let us put all the cards on the table and we will be able to judge on the merits.

Mr. SYMINGTON: We went into the question of mail rates as between Canada and the United States this morning. Passenger rates are the same. The average rate per passenger mile is 5·3, both in Canada and the United States. I was referring to the efficiency of the operation, and I say that it cannot be contradicted that per man, per plane, per mile flown, and the results of your power plants in your plane, it is as good in Trans-Canada or better than any other company that they can be compared with. The facts are that Trans-Canada has operated in a very modest manner. They have not any great offices. In fact, sometimes I feel somewhat ashamed about their offices. There is a policy set down with regard to enlisted men that we are to rehabilitate every one possible. We have gone as thin as it is possible in keeping down our personnel so as to be able to take as many rehabilitated airmen as we can. We are running too thin. There is no doubt about it, but it gives an operating result.

Hon. Mr. HANSON: You said it was admitted by the United States companies that you were superior to them. That is a rather astonishing statement. I would be surprised if that were true.

Mr. SYMINGTON: I will give you an example of that, Mr. Hanson. There is a gentleman who is one of the leading directors—I think the leading director—of one of the largest air lines in the United States. He happened to be going to Seattle. He wrote me and asked me if he could get a passage through, not a pass, but get a reservation. He wanted to travel both ways on our line because he wanted to compare it with their own line. He said he had heard so much about our line. I got him a reservation and he went through to Seattle. I know him very well and I asked him to let me know what criticisms he would have and how it did compare. He wrote me that he considered our operation better than their operation, that as to the action of our people, alertness, unloading, pleasant atmosphere, attention, he concurred in everything he had heard about it. He had only one suggestion to make in connection with the operation. He said, "I think you should have cigarettes for sale in your various ticket offices because on your plane when I offered my cigarettes

everybody accepted them and were complaining that they could not buy cigarettes at your fields."

Hon. Mr. HANSON: He paid a great tribute to the courtesy of your employees, and I would, too. I have travelled a great deal in the United States by rail and some by plane, and I want to say that we have it all over them as far as courtesy is concerned in our railway service. You are tolerated on some of the United States lines; that is about all.

Mr. SYMINGTON: May I suggest that what you are able to say is an indication of the alertness of our personnel.

Mr. NICHOLSON: Mr. Symington has got the rates charged for carrying mail in the United States. Could he also get us the rates charged by the C.P. Air Lines for mail carried here and also their rates per passenger?

Mr. SYMINGTON: I am not getting the rates any further than I gave them this morning. I stated with respect to the American mail rates what they were; that is, I said in the big air lines between populous regions they were still some decimal mills below us, that in the smaller air lines they were away above us, that on the average they were still something below us, but they are not comparable because they have a limit of 300 pounds that they have to take and we have a limit of 1,200 pounds.

Hon. Mr. HANSON: Is there not the further point that they are based on poundage and not on plane miles flown and therefore it is very difficult to make a comparison?

Mr. SYMINGTON: It is a different system, but I would concede that on a mill basis they are still somewhat below us, but we are catching them pretty fast.

Hon. Mr. HANSON: But there is still the question of the density of the traffic of mail and planes, too?

Mr. SYMINGTON: Of course, and being able to load your plane as you want to instead of having to give mail the preference.

Mr. NICHOLSON: Mr. Symington did not give us the rates applicable to the C.P. Air Lines here. Could he give us those now?

Mr. SYMINGTON: I do not know that.

Hon. Mr. HANSON: The post office could give that.

Mr. SYMINGTON: The post office could give that. I think they are roughly the same per plane mile as ours as far as I know.

Mr. NICHOLSON: Could we have someone from the post office?

Mr. SYMINGTON: There may be certain regions, such as running up to Norman Wells where they would be higher.

Mr. NICHOLSON: Could we have someone from the post office to give that information?

The CHAIRMAN: I suppose we could.

Hon. Mr. HANSON: As to your statement that you would not take \$25,000,000 for this outfit are you serious in that when in a year's operations you only have a surplus of \$148,000?

Mr. SYMINGTON: Mr. Hanson, you apparently did not listen to me very much this morning.

Hon. Mr. HANSON: I tried to.

Mr. SYMINGTON: I showed you where we had carried 61 per cent more mail and only got 9 per cent more revenue, and that if we had been on the basis we would have earned another \$1,600,000.

Hon. Mr. HANSON: I heard all that.

Mr. SYMINGTON: That is the answer, plus the fact that this line is in a developing state. It has got an organization set-up with technical men second

to none. It has learned the game and has a future which is very great. I know of none greater.

Hon. Mr. HANSON: Then, your valuation depends on the lifting of the circumscribing conditions under which you are operating?

Mr. SYMINGTON: Largely, quite so.

Hon. Mr. HANSON: If you can have freedom and get all the traffic will bear it might be worth \$50,000,000?

Mr. SYMINGTON: Not all that the traffic can bear in the matter of rates, but all we can carry. If we have the planes and personnel to carry all the traffic we could carry this line would be a very prosperous line. This line will be a prosperous line not to T.C.A. because, as you see, the way it was set up we could not make money, and we cannot make money as a line.

Hon. Mr. HANSON: Is that not one of the main incentives for efficiency of operation, to make money? Is not this the tendency, that if the government is going to take the profit and pay the losses what does it matter?

Mr. SYMINGTON: The government is going to take the profit or loss under the T.C.A. Act.

Hon. Mr. HANSON: Human nature is very much the same in T.C.A. as it is anywhere else, is it not, unless you have got super-men and women?

Mr. SYMINGTON: The morale of our personnel could not be any better than it is to-day.

Hon. Mr. HANSON: That is nice to hear.

Mr. MAYBANK: All of this public versus private argument—

The CHAIRMAN: Is out of order.

Mr. MAYBANK: I do not know whether it is out of order or not. I was not going to complain on that score. I do not care, but at any rate it arises this year more particularly as a result of decisions recently announced, so it seems to me. One notices a good deal in the press about encouragement having been given to private lines—the private line—go ahead and get established in certain places. For example, they bought out various lines at different times. I should like to know if we could have it on the record the times that C.P.A. did obtain its various lines which it is now, according to the application to the Transport Board, seeking to tie together. I do not know if Mr. Symington has that or whether you would suggest that it comes from some other place. I should like to have a record of that development in order to answer the charge that is made that the government encouraged the C.P.R. to go into the development and now is shutting it out from it.

Mr. SYMINGTON: I, of course, do not know what is in their minds other than that you can look at the map. The facts are that T.C.A. policy was announced before C.P.A. was ever formed.

Mr. MAYBANK: I am not suggesting that you would know what was in the minds of anyone. That was not my point. I asked whether we could get a record as to when C.P.A. obtained the different lines which it is clear they now want to link up and make a trans-Canada out of it.

Mr. SYMINGTON: I cannot give you the dates as to when they acquired these various companies which they bought but it was certainly subsequent to the announcement of T.C.A. policy.

Mr. MAYBANK: You are quite clear on that?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Anterior to that Mr. Richardson started Canadian Airways, and were not the two railways invited to come in?

Mr. SYMINGTON: They each had stock in it.

Hon. Mr. HANSON: The railways were told they were best suited, it was thought by some people, at all events, to take up this pioneering policy.

Mr. SYMINGTON: Mr. Richardson was looking for money and he came to the traffic people to get it, naturally.

Mr. MAYBANK: I understand that C.P.A. certainly got all these lines into one system after the announcement of policy on behalf of T.C.A. For a long time, however, there was a working arrangement with Canadian Airways which was looked upon pretty well as a C.P.R. company, run by the C.P.R.

Hon. Mr. HANSON: Oh, oh.

Mr. MAYBANK: All right, that is my statement.

Hon. Mr. HANSON: They were on equal footing with the C.N.R., were they not?

Mr. MAYBANK: It does not make any difference whether they were or were not. Could we learn the date of acquisition by Canadian Airways of the various small lines because all of them went together towards the building up of the various C.P.A. routes we have to-day? I just want to find out if it is possible to get this as a matter of record in order to confirm the charge made or deny it. That is the whole point in the matter. If we cannot get it from Mr. Symington then I will ask, Mr. Chairman, can it be got from some other source and become a matter of record here?

Mr. SYMINGTON: You would have to get it from the transport department.

Mr. MAYBANK: Can we get that from the Transport Department, Mr. Edwards?

Mr. EDWARDS: We have no record of the date that the Canadian Pacific Railway purchased these lines. We have a record of the date when they applied for licences of transfer from each individual line to the C.P.A.

Hon. Mr. HANSON: It would be anterior to those dates.

Mr. MAYBANK: You can give us all the applications for franchises.

Mr. EDWARDS: The date of every licence that was applied for and issued in the Department of Transport.

Mr. MAYBANK: And the date of all transfers. That would take care of it quite well.

Mr. DONNELLY: While the Department of Transport is getting that information I wonder if they could get information also as to the price they charge per passenger per mile, or the rate for passengers and the rate for express and the rate for mail so that we will be able to compare what they charge with what the T.C.A. charges.

The CHAIRMAN: Who are "they", the Canadian Pacific Airways?

Mr. DONNELLY: Yes.

Mr. EDWARDS: The Department of Transport issues them all.

Mr. HANSON (*Skeena*): They should have the same rates for everybody. They control these for everybody?

Mr. SYMINGTON: Somebody has asked me about the Vancouver to Victoria rates. I have them. Do you want them?

Mr. HANSON (*Skeena*): Better put them on the record.

Mr. SYMINGTON: Vancouver-Victoria passenger rates prior to March 1, 1944, C.P.R. air lines \$7 and T.C.A. \$3; after March 1, 1944, C.P. \$5.50, T.C.A. \$3.

Hon. Mr. HANSON: That is competition.

Mr. SYMINGTON: Return fare \$12.60 prior to March 1, 1944; after March 1, 1944, \$9.50—that is by C.P. air lines. Trans-Canada, \$5.40.

Mr. HANSON (*Skeena*): People better use the Vancouver-Victoria T.C.A. service.

Mr. SYMINGTON: These are the tariff rates as they exist at the present time, and as they were formerly.

Hon. Mr. HANSON: And they are approved by the Board of Transport Commissioners?

Mr. SYMINGTON: Yes. I should imagine in fairness to the C.P. air lines they should have a higher tariff than we do.

Hon. Mr. HANSON: One is the short haul and the other is the longer haul; that is the answer.

Mr. SYMINGTON: That is a part of it.

Mr. JACKMAN: You said that the T.C.A. has a capital of \$5,000,000 plus a surplus?

Mr. SYMINGTON: \$4,600,000.

Mr. JACKMAN: \$4,600,000 paid by the government for plant; and that you say there that after the acquisition of these American airports in British Columbia a further sum of about \$100,000,000 was involved?

Mr. SYMINGTON: I am giving you a general figure. I think you would find that they are probably within the mark.

Mr. JACKMAN: The question I want to ask is this, does the American government have similar expenditures on their air lines and airports in the United States or is most of that expenditure financed by the private companies?

Mr. SYMINGTON: I could not tell you that; I would think it was probably mostly government. I could not tell you definitely.

Hon. Mr. HANSON: In some places it is municipalities.

Mr. SYMINGTON: Yes, take New York.

Hon. Mr. HANSON: Yes, La Guardia field.

Mr. SYMINGTON: New York spent \$80,000,000 to \$90,000,000 on La Guardia and they are now planning to spend \$200,000,000 on a new field at Idlewilde which will be the greatest field in the world. The municipality of New York is doing that.

Mr. NICHOLSON: None of the American air lines have spent large sums of money on individual airports any place?

Mr. SYMINGTON: I could not say, but I do not think so.

Mr. JACKMAN: Do you receive any meteorological or other services outside of those provided by the government and paid for by the Department of Transport which would be paid for by companies over in the States?

Mr. EDWARDS: It is 100 per cent Department of Commerce in the United States.

Hon. Mr. HANSON: Do they supply it all?

Mr. EDWARDS: It is the same as here.

Mr. JACKMAN: All aids to navigation in both countries are paid for by the governments?

Mr. SYMINGTON: By the respective governments, as Commander Edwards has told you.

Hon. Mr. HANSON: They ought to be.

Mr. NICHOLSON: After having these figures regarding the transportation costs between Victoria and Vancouver I would imagine that the T.C.A. would be making a more vigorous effort to increase the volume of the passenger traffic between these two points. I understood this morning that you had not made any representation to the Board of Transport Commissioners. It would appear to me that that would be a suitable procedure for you to follow.

Mr. SYMINGTON: We were heard, we were before the board on that matter. I might say for the information of the committee that the Board of Transport Commissioners took a legal view as to what the Act meant. We were not sufficiently sure that they were wrong, that their decision was not right according to the powers given us by the statute and there it lays. It is a government matter, it is not a matter for us.

Mr. NICHOLSON: Just on the assumption that you are operating a trans-continental service naturally the T.C.A. should carry the passengers through.

Mr. SYMINGTON: It is more than that, it is a legal question involving considerations of a very intricate nature and which I do not want to get into a discussion before this committee. It was a fair hearing. It was decided that we—as far as we were concerned, we were ready to furnish a service to the people of Vancouver Island and Victoria if they wanted it.

Hon. Mr. HANSON: I read that judgment. There was another aspect to it; among the other questions which came up was one relating to established rights, the rights to the ground—

Mr. SYMINGTON: It was on the ocean.

Hon. Mr. HANSON: Yes, I suppose that makes a difference. That was the factor, was it not?

Mr. SYMINGTON: Oh, yes. You see, there was a direction about competition. There was a private Act and a public Act, and which was to rule and so on; and the only people who have any real kick are the people who are affected, the post office department; we could earn more money which would be of benefit to the post office department if we were allowed to take that Vancouver-Victoria run.

The CHAIRMAN: Now, gentlemen, I think we are at the end of page 11.

Hon. Mr. HANSON: No, you are not, Mr. Chairman, we haven't got to page 11 yet.

The CHAIRMAN: Surely.

Mr. JACKMAN: On the general question, Mr. Symington, about the T.C.A. being divorced from its parent owner, the Canadian National Railways.

Mr. SYMINGTON: I assume that the Canadian National Railways would want a fair price for this property.

Mr. JACKMAN: What about the accounting principle involved; I imagine there would bound to be criticism—

Mr. SYMINGTON: It is no use asking me about that because I do not know.

Mr. JACKMAN: After all, you have a dual capacity; first of all as a director of the Canadian National Railways and secondly as President of the Trans-Canada Air Lines.

Mr. SYMINGTON: It has been the one capacity up-to-date.

Mr. JACKMAN: Just the one capacity?

Mr. SYMINGTON: It might be dual after this.

Mr. JACKMAN: Surely you are not going to let the government steal this line from the railway?

The CHAIRMAN: You have an idea you want to make them pay for it?

Mr. MAYBANK: The idea would be for the railway company to get credit for \$25,000,000. He has already told us that.

Mr. SYMINGTON: I would think that the thing would be pretty simple as far as our situation is concerned; the government would take over our stock and cancel the loan to the railway of \$4,600,000 and own the stock, I should imagine that would be a simple procedure.

Hon. Mr. HANSON: At that point it might be of interest to the committee to investigate a little further; in the United States they are absolutely against the railways operating air lines; is that true?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Is that not based on this principle that it was thought that if the railways operated air lines they would use possession to protect their passengers and other revenue as railways; is not that the underlying motive?

Mr. SYMINGTON: I do not know what the motives were. That was stated to be one of them. It was a monopoly question, and as you know they are very strong in the United States against monopolies.

Hon. Mr. HANSON: I understand that that was a motive. You admit that that is a factor?

Mr. SYMINGTON: There it is anyway.

Hon. Mr. HANSON: You do not care to express an opinion on that?

Mr. SYMINGTON: Oh, no, I do not want to get into any philosophical discussion.

Hon. Mr. HANSON: It is very practical, it is not only philosophical and it may become a big issue in this country.

Mr. SYMINGTON: I know, I am not in that, I am out of it.

Hon. Mr. HANSON: If you are not, it would be the first time you were not, according to my recollection. And now, I want to ask you, I am thinking of the figure of \$218,000 (on page 4) which you say you have set up in 1943 operating expenses to provide for anticipated post-war inventory adjustment; does that mean that you anticipate a decline in the value of your inventory?

Mr. SYMINGTON: Substantially, because as I explained this morning, we are carrying an inventory of \$1,247,000 instead of half that amount because of the uncertainty of getting materials in order to operate air lines. And you may recollect that on a former occasion I said that we were very fortunate people, and very wise in having got all that we did when we did.

Hon. Mr. HANSON: You are an untaxable company, not subject to income tax the same as others. Do companies which are subject to income tax do this?

Mr. SYMINGTON: Well, of course, they could; it is a reasonable principle.

Hon. Mr. HANSON: If they could get away with it.

Mr. SYMINGTON: No, it is done in every company, Mr. Hanson. You look at the depreciation reserves of the Canadian Pacific Railway or the Canadian National Railway in the statement which you will see to-morrow or any company you are connected with—some of them, I do not know the companies—but I think you will find that all of them have been setting up a reserve for war depreciation and inventory. That is going on all the time.

Hon. Mr. HANSON: That is, you have the right.

Mr. SYMINGTON: Sure.

Hon. Mr. HANSON: So far as the tax-paying companies are concerned, might I remind you that there is a very strong limitation on the amount you can set up.

Mr. SYMINGTON: Well, there is a limitation but, of course, if companies have been depreciating to the limit, they might have a little trouble; by and large, it is an essential business procedure.

Hon. Mr. HANSON: I am all with you on that point.

Mr. SYMINGTON: As far as I know the tax authorities have recognized it.

Hon. Mr. HANSON: What is the rate you have set up?



Mr. SYMINGTON: We have written off about 20 per cent, \$218,000—roughly that.

Hon. Mr. HANSON: That is all I have to ask on that; then on the question of personnel—

The CHAIRMAN: Gentlemen, we were reading at page 12 when we left off.

Hon. Mr. HANSON: No, we have not got to page 12 yet.

The CHAIRMAN: Yes, we have.

Hon. Mr. HANSON: Excuse me, we have not; and if we have we are going to revert, so far as I am concerned.

The CHAIRMAN: All right, I don't care, so long as you keep moving.

Hon. Mr. HANSON: All right. I think we are moving pretty fast; and if it will relieve anybody I will state now that I would like to see, as far as I am concerned, the committee finish the T.C.A.; I am quite sure Mr. Symington would also.

Mr. JACKMAN: Then, as to that 35 per cent operating charge; I suppose the T.C.A. pays the ordinary taxes on gasoline?

Mr. SYMINGTON: Yes, the sales tax and all that sort of thing.

Mr. MAYBANK: What taxes are paid by private companies that you do not pay?

Mr. SYMINGTON: Purely income tax.

Mr. MAYBANK: Income tax and excess profits tax.

Mr. SYMINGTON: We can never pay any excess profits tax because we are never allowed to make any.

Mr. MAYBANK: Then those are the only taxes that you do not pay?

Mr. SYMINGTON: Those are the only taxes that we do not pay. It may be a matter of concern to the department. Of course, we contend that we pay 100 per cent of all we make to the government anyway.

Hon. Mr. HANSON: But that is not tax.

Mr. SYMINGTON: You can call it tax or whatever you like, but that is the result.

Hon. Mr. HANSON: If you make any money the government gets it.

Mr. SYMINGTON: During the balance of the short time that I will be here I want them to.

Mr. HANSON (*Skeena*): In other words, the Canadian people get any profit if there is any.

Hon. Mr. HANSON: And if there is any loss the people take it.

Mr. SYMINGTON: If there is any loss the mail rate increases.

Hon. Mr. HANSON: Whichever way you put it, it comes out of the consolidated revenue fund. Now, there is a small item of general tax there on page 12—

Mr. SYMINGTON: You refer to that property tax?

Hon. Mr. HANSON: Yes, your real estate.

Mr. SYMINGTON: I can give you that.

Hon. Mr. HANSON: It does not amount to anything.

Mr. JACKMAN: I notice an item here relating to services of American lines crossing over into Canada, and I understand that you have some routes that operate into the States now. How many routes do we have into the States now?

Mr. SYMINGTON: I have seen that stated so very often in the House that I should know it myself. The only line we run is Toronto to New York.

Hon. Mr. HANSON: That is the only one; they have about how many, about a dozen?

Mr. SYMINGTON: They have eight or nine and they are all losers.

Hon. Mr. HANSON: I think that should be rectified; it seems to me it is only one-way traffic.

Mr. SYMINGTON: Mr. Hanson, that is the very question that will have to be debated; I am very much afraid that it will be changed after the war is over.

Hon. Mr. HANSON: You are?

Mr. SYMINGTON: Yes, I am afraid so.

Hon. Mr. HANSON: Are you suggesting that they are all losers, these American lines are all losers?

Mr. SYMINGTON: With the possible exception of the Montreal-New York run.

Hon. Mr. HANSON: If they become winners, you are going to step in. Is that the idea?

Mr. SYMINGTON: We cannot do that because it depends upon what the arrangement is with the American government. We cannot step in any place except by arrangement between the two governments.

Hon. Mr. HANSON: But you could prevent anybody else from stepping in?

Mr. SYMINGTON: The government could refuse any American line the right to come into Canada, of course.

Mr. JACKMAN: For every American line that comes into Canada, we would have the correlative right to go over the same route, would we not?

Mr. SYMINGTON: No.

Mr. JACKMAN: What routes have we entering the United States just the one Toronto to New York?

Mr. SYMINGTON: That is all.

Mr. JACKMAN: And you say that they have nine against our one?

Mr. SYMINGTON: They have a short line from Seattle to Vancouver, and from a small western town up to Lethbridge, from Fargo to Winnipeg and from Minneapolis to Winnipeg, etc. I would say that our one line serves a bigger area than all of theirs put together.

Hon. Mr. HANSON: In other words, you got the best route?

Mr. SYMINGTON: Absolutely, and that is what we set out to get.

Hon. Mr. HANSON: Has there not been an American line coming up from Boston to the Maritimes?

Mr. SYMINGTON: They do run up a line from Boston to Moncton.

Hon. Mr. HANSON: And you say there is nothing in that, that is a losing line?

Mr. SYMINGTON: What I am saying now, I am talking about normal times, yes; possibly during this war period where they have been hauling a lot of people up into Newfoundland and Gander and a lot of materials, it is a different question; but there again I do not say that they will always be losers, that in all likelihood after the war when this arrangement comes up for consideration, the arrangement which exists at the present time, the indications are that there will be arrangements for reciprocal routes both ways between all points. That is if the United States want to run, say, from New York to Montreal, Canada can run from Montreal to New York and so on all across; but that is only an opinion, I do not know.

Hon. Mr. HANSON: That is a probable thing, that is all you are saying?

Mr. SYMINGTON: That is a probable thing; but remember this that coming into Canada on any of their lines all they run, is about forty or fifty miles whereas on the New York service we run 400 miles through their country. So that the 8 to 1 is not very much out of line, you see.

Hon. Mr. HANSON: It all depends on the point of view.

Mr. SYMINGTON: Yes, it all depends on the point of view, but the thing was very carefully thought out originally, and I would expect that it will be reciprocal rights after the war. I could not say; I am not so sure we will be any better off.

Mr. JACKMAN: If T.C.A. want the privilege of flying into the United States over another route to whom do they apply?

Mr. SYMINGTON: The State department in Canada has to apply to the State department in Washington; everything is between governments.

Hon. Mr. HANSON: Is that by treaty?

Mr. SYMINGTON: That is by treaty. That is the present situation.

Hon. Mr. HANSON: Is that a treaty or is that just a *modus operandi* that has been set up; because I understand that no private company can approach the American government.

Mr. SYMINGTON: No, no private company can approach the Canadian government from the United States; the approach must be through the State department.

Hon. Mr. HANSON: That is not a treaty, that is a method established by governments. Mr. Edwards ought to be able to answer the question.

Mr. EDWARDS: I gave you a statement last year which was printed by the committee—a detailed analysis of all the treaties and exchanges of notes.

Hon. Mr. HANSON: I suppose I didn't have time to read it.

Mr. EDWARDS: That is what they call exchanges of notes.

Hon. Mr. HANSON: Exchanges of notes?

Mr. EDWARDS: Yes.

Hon. Mr. HANSON: And the result is as Mr. Symington has stated?

Mr. EDWARDS: That exchange expired, offhand, I would say a year ago and it was frozen then for the balance of the war; and that is the position to-day.

Hon. Mr. HANSON: Thank you. That is the answer to the question.

Mr. JACKMAN: On this line that used to operate from Vancouver to Seattle, we abandoned that, and some private company has taken the line up now, is that so?

Mr. SYMINGTON: No, they had the rights there. The Canadian Airways had that line and asked to be relieved of it and T.C.A. took it over as a training route for its first operation and it lost money on it, and ultimately when we made the arrangement we withdrew from the Vancouver-Seattle run. It cannot be and never will be economically run, it is not a long enough run.

Mr. JACKMAN: And some American line took it up?

Mr. SYMINGTON: No, they were running then.

Mr. JACKMAN: And they are still running on that line?

Mr. SYMINGTON: They are running I think one plane a day.

Hon. Mr. HANSON: And losing money?

Mr. SYMINGTON: Oh yes, I am sure they are. All those lines made a fair show while the northwest development was going on, but I understand they are now carrying one or two passengers a trip and you cannot run an air line like that.

Mr. NICHOLSON: If you had this proposed service from Toronto to Sault Ste. Marie, and Winnipeg, Saskatoon, Edmonton, and so on, with four cities instead of seven or eight what would be the prospects of increasing the business between Toronto and New York, if there is a direct service?

Mr. SYMINGTON: If we give the best and quickest service we are hopeful that we will get the business. We flew a test flight recently with a 4-engine plane to Winnipeg in 3 hours and 15 minutes.

Mr. NICHOLSON: What is your present time—how does that compare with your present time?

Mr. SYMINGTON: Seven hours.

Mr. NICHOLSON: And from Winnipeg to Edmonton how many hours do you occupy on that leg?

Mr. SYMINGTON: Well, we have not flown that yet, but it would not be very much longer.

Mr. NICHOLSON: How many hours would you say would be required between Toronto and Edmonton if this new service was available?

Mr. SYMINGTON: Six to six hours and a half.

Mr. NICHOLSON: You would save—

Mr. SYMINGTON: It would go out in six or six and a half hours.

Hon. Mr. HANSON: It is 800 miles, I suppose.

Mr. SYMINGTON: It is more than that.

Mr. NICHOLSON: What is your present flying time from Toronto to Edmonton?

Mr. SYMINGTON: We do not go direct, we go by way of Lethbridge.

Mr. NICHOLSON: How many total hours are involved from Toronto to Edmonton?

Mr. ENGLISH: Fourteen hours and twenty-five minutes.

Mr. NICHOLSON: And you did it in six or seven hours?

Mr. ENGLISH: Six and one-half hours.

Mr. JACKMAN: I suppose inference would be drawn from the paragraph on page 4 in regard to the hop from Vancouver to Victoria that if you had the right to do the local traffic between those two points you would not have a financial disadvantage?

Mr. SYMINGTON: Right. You see the plane probably has one or two passengers who have come from away east of Victoria, but if we fill up we make \$50,000 or \$60,000 more out of those seats than out of the short run.

Mr. JACKMAN: When you took that line from the other company—

Mr. SYMINGTON: We did not take any line over from the other company.

Mr. JACKMAN: When you had your own company over the route already serviced—

Mr. SYMINGTON: No, there never was a line into Patricia Bay, there was no airport. Patricia Bay is an R.C.A.F. field, the only field upon which a land plane could land. The other service was a flying boat service to Victoria. So when the R.C.A.F. built the field upon which a land plane could land we asked them if we could have the use of it, and they agreed that we could have two planes a day each way into their military field at Patricia Bay; and the government passed an order in council putting that into the A.C.A. Act.

Mr. JACKMAN: Did you have any option after the order in council was passed whether or not you should take it or leave it?

Mr. SYMINGTON: Oh, no, we have to take it, of course.

Hon. Mr. HANSON: On page 6 you deal with the property and equipment, and you have twelve Lockheed 14-08 aircraft, equipped with two Pratt and Whitney engines and eleven Lockheed Lodestar aircraft. Now, how many of those are in operation; how many planes are you running a day and how many have you in reserve?

Mr. SYMINGTON: I am afraid we have not any in reserve.

Hon. Mr. HANSON: All are being operated?

Mr. SYMINGTON: Oh, yes, that is one of our difficulties.

Hon. Mr. HANSON: That is a handicap when you haven't got a plane in reserve.

Mr. SYMINGTON: Yes, we should have several reserve planes. If something happens, say, in Toronto, we have to fly a plane from Winnipeg to take its place and that results in a lot of expense.

Hon. Mr. HANSON: You are quite right. Now, let me refer to personnel on the same page. I see that you have a personnel of 2,343 operating twenty-three planes?

Mr. SYMINGTON: Oh, well—

Hon. Mr. HANSON: All right, now, wait a minute, I would like to have a breakdown of this personnel matter if it is not in the report, and I do not think it is. Now, a certain portion of this personnel of 2,343, I presume, is being used to handle the overhauling of military aircraft for the government?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: How many of them?

Mr. SYMINGTON: 606. May I give you a statement which I have prepared?

Hon. Mr. HANSON: Yes, I should be glad to have that.

Mr. SYMINGTON: Personnel at December 31, 1943, 2,343; 1942, 1,662.

Deduct war contract, Trans-Atlantic and return ferry service, 1943, 606—

Hon. Mr. HANSON: That is both of these trips?

Mr. SYMINGTON: Yes. 1942, 410; a total in 1943 of 1,737 and in 1942 of—

Hon. Mr. HANSON: 1,737 adapted to Trans-Canada?

Mr. SYMINGTON: I will give it to you. 1942, 1,252.

Per aircraft operated, 1943, 72; 1942, 52.

Add increase proportionate to increase in passenger revenue (traffic) of 37 per cent to your 52 and you have 21.

That gives you per aircraft operated in 1942, 73 and in 1943, 72.

It is generally accepted in the air transport industry that for each aircraft operated the operator should have three complete crews and for each man in the air there should be from six to ten ground employees.

Hon. Mr. HANSON: That seems reasonable.

Mr. SYMINGTON: As of December 31, 1943, T.C.A. had 2½ crews per aircraft and an average of nine ground personnel to each member of a crew.

Our experience is also with due regard to the very grand work they are doing that because of physical and other causes it takes about three women to do the work of two men, and that is the situation when we have to consider that 35 per cent of our personnel are women.

Hon. Mr. HANSON: What is the standard from which you are quoting? Is that the experience of American air companies?

Mr. SYMINGTON: Yes, those are generally accepted ratios.

Hon. Mr. HANSON: That is based on the experience of American companies?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: And you are arguing from that to your own position?

Mr. SYMINGTON: Quite so.

Hon. Mr. HANSON: That is information that I thought I would like to have.

Mr. SYMINGTON: I am glad you asked for it.

Hon. Mr. HANSON: It does not seem to me to be an undue proportion of men on the ground; the R.C.A.F. have more than that, have they not?

Mr. SYMINGTON: Oh, yes.

Hon. Mr. HANSON: About twenty?

Mr. SYMINGTON: At least: More than that. However that is considered the basis of operation in American air line operation.

Hon. Mr. HANSON: There is no reason why this company should do anything more than is necessary. I do not assume they are doing it. But we wanted that figure explained, because on the basis of it you have 100 people for every aeroplane, so you were not doing justice to yourself.

Mr. SYMINGTON: I am glad to make the explanation. Of course, even with that deduction, Mr. Hanson, we cannot quite say that 606 are all that are engaged on other work because the superintendents and supervisors inevitably in the oversight spend a good deal of their time. Our trans-Atlantic work is moving faster. Our third ship left last night and reached England this morning in twelve hours roughly, and that operation has been a most difficult one. We were operating, as you will understand, racehorse engines on a truck job, and you cannot do it. We have had the Rolls-Royce man out here just recently for the first time. We have had to do the whole show ourselves, and if you want to hear what he thinks of the T.C.A. personnel why you can talk to him.

Hon. Mr. HANSON: I am not condemning the T.C.A. personnel. I do not suggest that, even. What I was concerned about was the apparent large ratio of personnel to the number of planes flying. On that phase of it you will see my mathematics are correct.

Mr. SYMINGTON: Oh, yes. But that is the reason. We are doing all this outside work.

Hon. Mr. HANSON: One criticism was as to the large number of women you have in certain centres. I suppose it is impossible to avoid that, with the scarcity of men. That criticism came from a man, by the way.

Mr. SYMINGTON: Well, as a matter of fact, in some jobs they do better probably than men.

Hon. Mr. HANSON: The clerical staff?

Mr. SYMINGTON: The people who meet the public. I will just give you an example of what happened. A very well known lawyer—you know him very well—in Montreal travels a good deal to Toronto. He met me on the street the other day and he said, "You have Miss so and so in your office in Toronto." I said, "Yes." He said, "Any time you want to let her go, let me know. I want her." I said, "Why? How is that?" He said, "I had a reservation back home the other day, and they telephoned me that I was deplaned." He said, "I was mad enough to bite iron. But by the time that girl got through with me, it was a privilege to give it up."

Hon. Mr. HANSON: I will say that most of them are glamour girls, fine looking and all that.

Mr. SYMINGTON: They have more than glamour.

Hon. Mr. HANSON: They are a fine-looking lot.

Mr. MAYBANK: Do you know any more stories?

Hon. Mr. HANSON: I was witness to a man being deplaned down at the Chateau one day, and he was not so hot. He was really mad.

Mr. MAYBANK: Maybe he met a male steward.

Hon. Mr. HANSON: That is all I want to ask about that.

Mr. NICHOLSON: In connection with this paragraph on personnel, I have always felt that the Canadian National Railways gave a service that compared

very favourably with the service given anywhere in any country by any company. I think I agree with this lawyer who spoke to Mr. Symington.

Hon. Mr. HANSON: Oh, oh. And you a minister of the gospel!

Mr. NICHOLSON: I had a similar experience in Regina about a year ago, in the middle of the night, and I had to catch a train the next morning. I wonder if Mr. Symington has any explanation as to why the T.C.A. has the reputation of being so much more courteous than similar services on the C.N.R.?

Mr. SYMINGTON: I should think the answer is that it is a matter of the technique being different. The air line technique is to practically wet nurse everybody from the time he declares he is thinking of buying a ticket until he gets back. People like to be called up and told that the plane will be on time instead of being told that it is not on time. We have classes. We take these girls in and put them through classes in how to deal with these situations, courtesy and so on. They are educated to it. That is their job. It is a training. It is just the same as a nurse's training or anything else. A traffic woman in the T.C.A. has to go to school before she gets a job.

Mr. NICHOLSON: Is it your hope that this sort of treatment will continue throughout the years?

Mr. SYMINGTON: Oh, yes, of course.

Hon. Mr. HANSON: Oh, oh!

Mr. HANSON (*Skeena*): If it is in order, let us all start to tell stories. I think we are absolutely off the subject.

The CHAIRMAN: We cannot get any definite order here, but we are making headway just the same.

Hon. Mr. HANSON: I think it is highly entertaining. I would not be deprived of it for anything. Do not frown so upon me, Mr. Hanson.

Mr. MAYBANK: I have been wondering which one of these Hansons is the chief of the clan.

Mr. HANSON (*Skeena*): Let us get through with what we are supposed to do.

Hon. Mr. HANSON: Well, let us come to "personnel".

The CHAIRMAN: I would suggest this. Honourable Mr. Hanson rather took me to task this morning because we were jumping all over the book. I rather think he himself has been guilty of jumping all over this book this afternoon.

Hon. Mr. HANSON: I will not admit it. I am like Mr. Symington. I make no admissions against interest. The lawyers will understand that phrase.

Mr. JACKMAN: In order to pick up one or two things, under "Atlantic Service" you mentioned—

Mr. HANSON (*Skeena*): What page are you on?

Mr. JACKMAN: Page 5, "Atlantic Service."

Mr. MAYBANK: He is jumping back.

Mr. JACKMAN: You went too fast for me. You mentioned that these Lancasters are completed in our shops. Can you not specify, when these Lancasters are being manufactured in Canada, that you want them for this particular purpose in place of for military purposes?

Mr. SYMINGTON: You can, to a certain extent; that is, in the construction of the plane itself you can leave the turret off and make those structural changes.

Mr. EMMERSON: Leave the guns out.

Mr. SYMINGTON: Take the guns out and all that sort of thing. What happens now is this. With the last two, we sent our own engineering crews to Malton where those planes are built, to put in the equipment which is required

for the commercial plane there instead of at Dorval where we were very much crowded for space. But there are all sorts of safety devices, instruments and so on and engine changes that have to be made to convert. As I say, a plane that was built for speed, to go into a territory and out again and back into the maintenance shop, has requirements quite different from one that has to do a long steady grind twice a week across the ocean—it is a different breed of cat and there is a good deal of changing and converting to do.

Mr. EMMERSON: Did you say there were engine changes?

Mr. SYMINGTON: Engine changes, yes—engine adjustments and changes. The engines come for the bomber in pairs, in groups. Those engines, as I say, were built for speed, dashes running at great speed. You cannot cross the ocean with them at that speed because you cannot carry enough gasoline to do it. So you have to operate them at a cruising speed; and the combustion and the points and so on in the engines had to be completely readjusted, mostly by trial and error, in order to arrive at a safe cruising operation across the ocean.

Hon. Mr. HANSON: That sounds reasonable. At some time would you hand in a breakdown of the categories of the personnel?

Mr. SYMINGTON: I could give you that now, I think.

Hon. Mr. HANSON: Very well. I am not asking for individual salaries, but rather the amounts paid out in each category. How many categories are there?

Mr. SYMINGTON: It is quite a long list.

Hon. Mr. HANSON: Perhaps it could be handed in and put on the record.

Mr. SYMINGTON: All right. I will hand it in.

Hon. Mr. HANSON: I cannot follow it when you are just reading it off, but I can read it over afterwards.

Mr. SYMINGTON: I will hand it in. That is the whole employment that I have given you.

Hon. Mr. HANSON: Divided into categories, if that is the right way to express it.

Mr. SYMINGTON: The categories are under general office staffs, flight and dispatch, captains, first officers, first officers in training, communications and stations, maintenance and overhaul and so on. There is a complete accurate record.

Hon. Mr. HANSON: That will go into the record, then.

(See Appendix A)

Mr. JACKMAN: Dealing with this paragraph on self insurance on page 6, do you feel that the line can have a big enough average and enough diversification to carry its own insurance? I am thinking of a motor car judgment in Ontario against one man, which went as high as \$120,000. If you had a plane loaded with expensive executives who were killed, you would find that reserve of \$647,000 would be gone and a lot more.

Mr. SYMINGTON: That may be so. But I think we were rather pressed by this committee—at any rate, we did last year go in for self insurance except for the hangars where there is a tremendous concentrated risk from fire; and we built up a reserve fund, charging regular rates, to \$647,000, which we meet as insurers. If we could keep that up for a year or two, we would be in pretty fair shape to take care of things.

Mr. JACKMAN: Can you tell me what your gross premiums or your gross charges on operations for insurance have been, and how much has been paid for risks?

Mr. SYMINGTON: I can give you full particulars.



Mr. JACKMAN: Perhaps you could tell me whether or not the lines in the United States carry all their liability themselves?

Mr. SYMINGTON: None that I know of, sir. They did start, I think, following our move, a sort of co-operative arrangement whereby they formed a company, the insurance companies and the air line companies, in which they each had stock; something like the grain insurance company in Canada.

Mr. HANSON (*Skeena*): Last year, Mr. Chairman, the matter of the accident at Armstrong was brought before this committee, and there were some of the claims not settled at that time. Were they finally settled?

Mr. SYMINGTON: Yes. They were all settled.

Mr. MAYBANK: I have a question I was going to ask, but perhaps you were going to answer something else first. Could you give the total overall cost of that Armstrong accident? Maybe you are going to answer something else first.

Mr. SYMINGTON: It is two or three years ago. I cannot give it to you now. The insurance company paid it. We did not. We were insured at that time.

Mr. MAYBANK: Oh yes. That is all right.

Mr. SYMINGTON: Do you want this insurance, Mr. Jackman? If so, here it is.

Flying equipment, 1943, we paid the underwriters, \$24,900, self insurance, \$267,554; public liability, we paid the underwriters, \$3,267, and the self insurance fund, \$6,612; passenger liability, we paid the underwriters, \$32,500, self insurance, \$68,457; buildings and contents, material and ground equipment, we paid the underwriters, \$11,721, self insurance, \$2,332; employer's liability, underwriters nothing, self insurance, \$43,167; fidelity bonds, \$416 underwriters, no self insurance; group life, T.C.A. proportion, \$13,308 paid underwriters. That is a life insurance policy we took out for our employees.

Mr. JACKMAN: My question really goes back to what Mr. Maybank had to say. I was wondering how much liability had been incurred to pay for losses as against how much had been set up. Of course, we have to find out what the insurance companies have paid. It was obviously a losing job for them on the crash at Armstrong.

Mr. SYMINGTON: Oh, they made money. They came around when we did this and quoted rates very materially lowered if we would leave the business with them.

Mr. HARRIS: The total comes to a good deal more than the 1943 amount of \$293,347.70. Where does the balance appear?

Mr. SYMINGTON: Pardon?

Mr. HARRIS: The total of what you just recited?

Mr. SYMINGTON: The total of what I just recited was \$86,000 for underwriters, \$388,000 for self insurance, a total of \$474,000.

Mr. HARRIS: Where is the difference between that and the \$293,347.70 on page 11? Where does that show?

Mr. SYMINGTON: Which item on page 11?

Mr. HARRIS: Item 617.

Mr. SYMINGTON: Item 617, flying equipment insurance, 618, 654, and 696. They are departmentalized.

Mr. HARRIS: The figures you have just given us make up the total?

Mr. SYMINGTON: Yes. I am relying on my accountant here. I have not figured it out myself. I can give you the premiums if you want them established.

Mr. JACKMAN: It is more the principle that I am concerned with.

Mr. SYMINGTON: You asked about liability. Our aircraft insurance runs to a total insured value of \$3,000,000. We charged 7½ per cent and the previous rate we paid was 8.426 to the insurance companies.

Mr. JACKMAN: It is like automobile insurance. We are not concerned very much with property damage or damage to your own car but public liability may run into very large figures, and the same thing with aircraft.

The CHAIRMAN: Are you ready to adopt this report, gentlemen?

Mr. EMMERSON: I want to ask Mr. Symington what is the record of accidents for 1943?

Mr. SYMINGTON: The only accident that amounted to anything that we have had was the one at Armstrong three years ago.

Hon. Mr. HANSON: The record has been excellent.

Mr. EMMERSON: You have not had any in 1943?

Mr. SYMINGTON: No.

Mr. EMMERSON: No damage, no public liability claims?

Mr. SYMINGTON: There were some jars but nothing serious involving injuries.

Mr. DONNELLY: That is the only real accident you have had since you began operations?

Mr. SYMINGTON: Yes.

Mr. HARRIS: Does the cost of repairing a plane that is damaged in an accident come out of the self-insurance fund or out of operations?

Mr. SYMINGTON: It comes out of the self-insurance fund, Mr. Harris.

Mr. HARRIS: There is one other observation, Mr. Chairman. I cannot just agree that the conduct of the whole T.C.A. operation in the matter of superintendents and employees has thinned out a great deal when the grand total of the costs this year, as I view it from the statement here, is about 50 per cent higher than they were last year whereas the total income is not 50 per cent higher. I imagine you must be thickening up the necessary services to carry on the T.C.A. I understood the witness to say they had thinned out a great deal the control of the T.C.A.?

Mr. SYMINGTON: We have not thinned it out. With the growth of business we have not taken them on, and they have taken people from us through selective service, mainly mechanics.

Mr. HARRIS: You took them on to the extent of from \$326,000 up to \$559,000 in one year?

Mr. SYMINGTON: Yes. Of course, I gave a written statement this morning as to the reasons.

Mr. HARRIS: It does not indicate you have thinned out to the extent of your statement made to-day?

Mr. SYMINGTON: I simply repeat the statement I made to-day that we are running in my idea of things very thin for the operations we have.

Mr. HARRIS: Not nearly as thin as a year ago?

Mr. SYMINGTON: Yes, I think I would say thinner.

Mr. HARRIS: Not according to the costs?

Mr. SYMINGTON: Not according to the costs, that is quite true.

Mr. HARRIS: You have an advance from \$156,000 to \$225,000.

Mr. SYMINGTON: Which item are you reading now?

Mr. HARRIS: Item 631. You have an advance from \$156,000 to \$225,000; that is an advance of \$75,000. Then you have an advance from \$326,000 to

\$559,000. That does not indicate thinning out to the extent that your general statement would lead us to believe. I am not complaining about it. It is just as well it is not thinned out too much.

Mr. SYMINGTON: I think we are thinned out too much. I have asked the R.C.A.F. to get me seventy-five pilots, one hundred and fifty mechanics, navigators and radio operators. They are getting them as fast as they can.

Hon. Mr. HANSON: It seems to me that the chief criticism of your statement is the tremendous increase in your operating cost; is that not so?

Mr. SYMINGTON: That is the reason I read the statement to you. I went to some trouble to read a statement this morning which I prepared in explanation of it, and which you will find on the record.

Hon. Mr. HANSON: Of course, we have not got it in front of us, and we cannot cross-examine you intelligently on it without it so I am not going any further with it.

Mr. JACKMAN: On this contributory pensions plan for the personnel what percentage do you contribute and how much does he contribute?

Mr. SYMINGTON: We contribute the same as he does up to 5 per cent.

Mr. JACKMAN: And he contributes what he likes up to that.

Mr. SYMINGTON: New employees since the plan was effective are compulsory 2 per cent.

Mr. JACKMAN: That is approved by the revenue department for taxation purposes?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Why do you not put the money into government annuities and get 4 per cent instead of 3 on the government guaranteed bonds? Why do you not put it into government annuities, buy them government annuities?

Mr. SYMINGTON: We cannot buy them annuities at the moment until we get enough money to buy annuities.

Mr. JACKMAN: You can pay in on them.

Mr. SYMINGTON: We do not know that we are going to want annuities when the time comes. These boys are not looking for annuities now. They are building up a fund under the plan to buy an annuity at the time they retire.

Mr. JACKMAN: But during the time they are building up, if that is the purpose in view, they could be getting 4 per cent instead of 3 per cent?

Mr. SYMINGTON: Of course, probably many of them will leave the service and will want their money out. The plan is one of investment in government securities, and when a man comes to the retiring age whatever sum is there buys him an annuity for life, a government annuity.

Mr. JACKMAN: If he wants his money out he cannot get his money out; the government will not approve of a plan whereby you give them a lump sum when they leave your employ?

Mr. SYMINGTON: In the air business I do not think we could tie them up so they could not get out.

Mr. JACKMAN: They cannot get their money out under a government approved plan?

Mr. SYMINGTON: I do not think they would consent to that.

Mr. JACKMAN: They have no option now when they leave your service?

Mr. SYMINGTON: No, they get their money back but if they are retiring they get an annuity for the rest of their life.

Mr. JACKMAN: A man may come under this plan with government approval and when he leaves your employ he can get a lump sum?

Mr. SYMINGTON: He gets the money he has paid in plus interest on it.

Mr. JACKMAN: All of which money has been tax free to him?

Mr. COOPER: It is not tax free.

Mr. JACKMAN: Why do you not get a tax free plan then? It is much more beneficial to the employee.

Mr. COOPER: That is questionable.

Hon. Mr. HANSON: It is quite possible you can get a tax free plan.

Mr. COOPER: Yes.

Hon. Mr. HANSON: There may be a question of calculation which might alter your policy.

Mr. HARRIS: I should like to ask, Mr. Chairman, if items 631, 681 and 691, salaries and wages, are frozen?

Mr. SYMINGTON: Yes, they are frozen.

Mr. HARRIS: What method do you use to hold your employees?

Mr. SYMINGTON: We just hold them, that is all, if we can. There are quite a lot of changes.

Mr. HARRIS: Do you change your categories? Where you are going to lose a valuable man because his salary is frozen do you put him in another category?

Mr. SYMINGTON: If we can give him a better job he will be allowed an increase in salary.

Mr. HARRIS: Did you originate any new jobs or positions during the year?

Mr. SYMINGTON: I do not know that you could say we have originated new jobs. Naturally with the expansion and increase of territories we have appointed superintendents, and that sort of thing in various territories.

Mr. HARRIS: Have you been able to hold your men?

Mr. SYMINGTON: Yes, we have been able to hold our people.

Hon. Mr. HANSON: What you do, and I suppose what everybody else does who wants to hold their employees, is you assign them new duties and therefore you give them a greater emolument. It is quite proper as far as I am concerned.

Mr. SYMINGTON: As far as I know we certainly increased a few of our men and we have made changes in their duties.

Hon. Mr. HANSON: Surely.

Mr. SYMINGTON: But I think in each case it has been a bona fide promotion.

Hon. Mr. HANSON: I am not suggesting otherwise. That is the proper thing to do in my view.

Mr. SYMINGTON: It has not been very general or marked but there has been some, yes.

Mr. JACKMAN: Perhaps Mr. Cooper would tell us why you do not set up a trust fund for the annuities on the assets side and have a contra account on the liabilities? It is more usual, is it not?

Mr. COOPER: No, it is referred to in the report, Mr. Jackman, that with respect to the employees' annuities fund the company is a trustee only. The fund is not an asset of the company and it would be incorrect to include it in the assets of the company.

Hon. Mr. HANSON: Then the consolidated revenue fund of the Dominion of Canada is all wrong because superannuation is in there.

Mr. COOPER: I am not discussing the public accounts.

Hon. Mr. HANSON: You are defending your accounting system; that is all.

Mr. COOPER: Quite.

Hon. Mr. HANSON: As far as I know you may be right.

Mr. COOPER: The employees' annuity fund is not an asset of the company. Why should it be included in our assets?

Mr. JACKMAN: Because you are handling it for them.

Mr. COOPER: Only as trustee.

Mr. SYMINGTON: You would not have us put it in the assets of the company if it is not an asset?

Mr. JACKMAN: And a contra liability for the same amount.

Mr. COOPER: We have referred to it in the report.

Mr. JACKMAN: Some year if you do not make reference to it we will not know that you are responsible for the money. If you do not have it in the balance sheet you should have a footnote, a contingent liability, if you want to call it that. You have the responsibility in regard to the handling of that fund as a corporation, or have you got a set of independent trustees?

Mr. SYMINGTON: A set of independent trustees.

Hon. Mr. HANSON: You do not handle it yourself?

Mr. SYMINGTON: It is handled by the organization.

Hon. Mr. HANSON: Then you are trustees in handling it yourself?

Mr. SYMINGTON: The company is not the trustee. Certain individuals are trustees.

Hon. Mr. HANSON: Then we have not got the full picture.

Mr. JACKMAN: If there happened to be a defalcation would not T.C.A. feel responsible if one of their officers was a defaulter?

Mr. COOPER: It might.

Mr. JACKMAN: It is a liability.

Mr. COOPER: I cannot agree for a moment that the annuity trust fund is an asset of the T.C.A. and I would go further and say that it would be most unusual for a company to include that in its assets.

Mr. JACKMAN: I have seen it often.

The CHAIRMAN: Before any more members leave the committee room, I would like to discuss whether we will sit to-morrow morning or not?

Hon. Mr. HANSON: I cannot be here to-morrow morning.

Mr. HANSON (*Skeena*): There is a caucus to-morrow morning.

The CHAIRMAN: I know there is a caucus, that is what I want to put to the members, the question of sitting while the caucus is on.

Hon. Mr. HANSON: I think you better set this committee over until after Easter.

Mr. HANSON (*Skeena*): How about sitting at 4 o'clock to-morrow afternoon?

Hon. Mr. HANSON: The Banking and Commerce Committee are sitting to-morrow and I cannot be here. However, that is not important. I feel I should be here. That is the trouble that we are up against.

The CHAIRMAN: All right, gentlemen, we will meet to-morrow afternoon at 4 o'clock in room 262, on the Senate side.

Mr. JACKMAN: What is that item, affiliated companies, \$2,751?

Mr. SYMINGTON: That is the New York airport terminal; A stock 25 shares at \$1; C stock 10-year promissory, dated July 21, 1941, 2,000—that is what you have to put up in order to land at La Guardia airport.

Hon. Mr. HANSON: That is quite a proper thing.

Mr. JACKMAN: Do you get as good service at La Guardia field as the American companies do?

Mr. SYMINGTON: I think so, sir; we have had no complaints. We have had complaints that the customs and immigration sometimes delay our people somewhat; so far as the airport employees themselves are concerned we have no objection.

Hon. Mr. HANSON: That is a great air field, isn't it?

Mr. SYMINGTON: Oh yes, you should see the plan of the new one. It is marvellous.

The CHAIRMAN: Well, if you are through deliberating on this report will someone please move its adoption?

Mr. JACKMAN: Oh give us just a minute, Mr. Chairman. Some complaint has been made by a number of people, I believe, about facilities; I understand that you have incidental services here of \$855,000 this year as against \$599,000 last year.

Mr. SYMINGTON: Yes.

Mr. JACKMAN: I understand that you have no refreshment booths where coffee and such things are available, I mean you have not the same facilities that the American companies have.

Mr. SYMINGTON: Those are not incidental services. Incidental services are sales of gasoline and these war services that we have been talking about. You say there have been complaints made?

Mr. JACKMAN: Yes, that you are not able to get coffee and sandwiches which the American lines have at their airports.

Mr. SYMINGTON: We have that at Montreal and at Malton. I am not proud of Malton, no. It is entirely a question of room. The trouble with this business is that the places that have been built were built for the present and not for the future, and it is a question of largely what you can do. The Malton service is bad because it is so far from the city and there is no place for the employees, no dining-room in which they can be served and they have to be taken in and out. It is most difficult to get proper help these days. It will right itself but the truth at the moment is that you cannot get it.

Hon. Mr. HANSON: What about beer, is there any demand for beer?

Mr. SYMINGTON: We haven't got any licence and we discourage it in the air.

Hon. Mr. HANSON: I think you are right.

Mr. JACKMAN: As an operating official of the T.C.A. would you care to express any opinion about the Malton airport and its convenience or inconvenience to the people of Toronto?

Mr. SYMINGTON: Oh, I do not know; certainly it would be much better and much more convenient if it were closer.

Mr. JACKMAN: And it should be closer?

Mr. SYMINGTON: I would not say that, I am not qualified to say that.

Mr. JACKMAN: Do you know anything at all about a scheme for developing the island airport?

Mr. SYMINGTON: We have tried the island airport but when it comes to the size of plane we will shortly be operating it is out of the question. I might tell you as a matter of information that I nearly drowned myself there. To develop that to an adequate size would involve an expenditure of a million dollars or more. As you probably know, these big planes must land against the wind and take off against the wind. And in addition to that the air field there at present is not large enough to accommodate even our two-engine planes and it certainly would be far short of what we would need for the planes of the four-engine type which will shortly we hope be in operation. The island simply has not got the length to accommodate those big planes.

Mr. JACKMAN: After all, the island is over a mile long in spots, could it not be developed?

Mr. SYMINGTON: If the city of Toronto wants to develop it all right, I am not going to.

Mr. JACKMAN: Is it a question of cost alone?

Mr. SYMINGTON: Not altogether, the island is not suitable, there is not sufficient length.

Hon. Mr. HANSON: Could you not move Toronto nearer to the airport?

Mr. SYMINGTON: You see, you have got to have not just one runway, but you have to have a number of runways so as to meet the different winds. You have to come down and go up into the wind and require to have different runways to meet different winds. Otherwise you might get a condition at Toronto island airport where you would not be able to land or take off over a period of two or three days. The longest available runway there is too short and cannot be made long enough. It could be made long enough at great expense to accommodate our two-engine machines, but it would never be able to accommodate our four-engine machines, and that is what is coming.

Mr. JACKMAN: The reason I asked that was because the island after all is quite long—

Mr. SYMINGTON: It has all been handled, the Department of Transport will tell you that it has been surveyed thoroughly and the whole thing gone into and just is not possible.

Mr. JACKMAN: Can passengers easily take out insurance with private companies at the airport?

Mr. SYMINGTON: Yes sir.

Mr. JACKMAN: No difficulty in that connection?

Mr. SYMINGTON: None at all; and it is very cheap because our record is good.

Mr. JACKMAN: Looking over aircraft operation maintenance and depreciation accounts on page 11 I see, just looking at some of the items appearing there, that there has been a 35 per cent over-all increase in operating costs. Some of these items appear to be very much out of line in respect to the amount by which they have increased. Your over-all increase is 35 per cent and some of these increases are vastly in excess of that. Take this item, aircraft instrument repairs; it was \$79,000 in 1942 and \$90,000 in 1943. How do you get such a disproportionate increase?

Mr. SYMINGTON: The answer to that is that it is in instruments that the greatest progress has been made. They have had to be changed through obsolescence and they also have reached a stage now when they have to be replaced.

Mr. JACKMAN: Did you not set up depreciation on these items from year to year?

Mr. SYMINGTON: Oh, yes.

Mr. JACKMAN: You seem to have exceptionally heavy charges to operation in one particular year.

Mr. SYMINGTON: That is because we bought a lot of new instruments.

Mr. JACKMAN: Do you charge to instruments?

Mr. SYMINGTON: If they are replaced, yes.

Mr. JACKMAN: What is your depreciation policy in this connection?

Mr. SYMINGTON: We depreciate the planes in four years—the aircraft have a four-year life with \$5,000 salvage; propeller hubs, 7,000 hours in the air; aircraft engines 6,000 hours in the air; aircraft communication equipment, a five-year life; miscellaneous flying equipment, a five-year life; ground communi-

cation equipment, a five-year life; hangar equipment, ten years; shop equipment, ten years; motor vehicles equipment, ten years, 7 years and 5 years; fuel storage equipment, 10 years; furniture and fixtures, 20 years; airport lighting, 20 years; miscellaneous ground equipment, 10 years; buildings and other improvements, 3 per cent; lease-hold rights, hangars and so on, 3 per cent.

Mr. JACKMAN: What about these aircraft instruments, are these all repairs?

Mr. ENGLISH: They are part of the aircraft. If you replace the instruments you do not charge the depreciation reserve until your whole aircraft is written off.

Mr. JACKMAN: Because particularly I notice here, miscellaneous flying equipment repaired \$20,000 one year and last year \$50,000.

Mr. SYMINGTON: That is not very much of a difference. We flew more miles, I do not think that is abnormal.

Mr. JACKMAN: Your average increase in operating expenses is only 35 per cent. I thought most of it would hover around that figure.

Mr. SYMINGTON: Oh, no, I do not think you could assume that at all.

Mr. JACKMAN: Then there is your liability and compensation insurance, \$153,000 and \$297,000 last year?

Mr. SYMINGTON: Yes. Well, that is because you see last year (1942) there were six Lodestars which only came in in November and they are an expensive new plane; we only had one month's insurance that year and we had twelve months in 1943, and that is a new plane.

Hon. Mr. HANSON: And that accounted for it?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Six additional planes as well as these?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Aircraft engine depreciation; that is a special write-off; \$39,000 odd to \$292,000 in 1943.

Mr. SYMINGTON: That is aircraft engines. The answer to that is this, our depreciation with respect to aircraft engines last year was not normal because we had sold to various people including some in South America our original engines which had completely depreciated. We sold them under a war condition for something over \$100,000 and that of course was credited against depreciation last year.

Hon. Mr. HANSON: I wonder if you have given consideration to this matter, Mr. Symington; what have you done with respect to going into new territory, exploring, if that is the proper term to use, new routes in the tropics; I see you refer to it here?

Mr. SYMINGTON: We sent a man down to all the West Indies and South American countries. He saw the government people and investigated landing fields, who owned them; made a study of the traffic that could be reached and what class of men we would require and so on.

Hon. Mr. HANSON: Did you find the field pretty well dominated by Pan-American?

Mr. SYMINGTON: Oh, no, Pan-American runs to South America of course but there is no exclusive privilege.

Hon. Mr. HANSON: You say they do not have an exclusive field?

Mr. SYMINGTON: They have been in there, but there is no difficulty, we can get in. We would have to compete with foreign organizations.

Hon. Mr. HANSON: Have you arrived at any conclusion as to whether you should go in there?

Mr. SYMINGTON: No, we have not arrived at any conclusion yet, because of course in the West Indies although there have been a lot of big air fields built there. The ones that are worthwhile, are nearly all under the control during



the war of the American government and we have got to wait and see what is going to happen to them after the war.

Hon. Mr. HANSON: That is all in the future.

Mr. SYMINGTON: We have got ready. We know what we want. You ask what else we are doing; we are doing a great deal; with respect to the plane we will fly, in what kind of plane we want to fly; I would say to you that we are the only people who have had any real practical experience in flying the ocean as an operation; and I will tell you there was a—

Hon. Mr. HANSON: As a what?

Mr. SYMINGTON: As a commercial operation.

Hon. Mr. HANSON: Well, as a commercial operation, but as a practical operation—

Mr. SYMINGTON: As a practical operation; we are not ferrying bombers over, we are running cargo.

Mr. HANSON (*Skeena*): I will move the adoption of this report.

Hon. Mr. HANSON: Now, just a minute, you are not going to railroad this thing through.

The CHAIRMAN: We have to be through with this thing by six o'clock.

Hon. Mr. HANSON: No, we have not. If we are not through by 6 o'clock then we will not be through. We are not going to be choked off. I quite appreciate that Mr. Symington has urgent reasons for wanting to get away; but don't let us have anything like that from any of the members of this committee. The Chairman is not going to put anything like that over us.

Mr. HANSON (*Skeena*): Now, the chairman is not trying to put anything over; it was my suggestion, the adoption of this report and you are not going to place any blame on him for anything of which I am responsible.

Hon. Mr. HANSON: As far as I am concerned, I see a tendency to rush things, and with a mechanical majority you can do that if you want to; but I warn you, you better not do it.

Mr. HANSON (*Skeena*): What is that, a threat?

Hon. Mr. HANSON: You can call it anything you like.

Mr. HANSON (*Skeena*): Let me tell you that I do not have to take any threats from you.

Hon. Mr. HANSON: Take it anyway you care to; as far as I am concerned, I am not going to see this discussion choked off. I wanted to ask that question because I omitted it, and it is important.

Mr. SYMINGTON: That is a fact, we are giving intensive study.

Hon. Mr. HANSON: You say that you are the only people who have flown the Atlantic on a practical basis; what about the British Airways?

Mr. SYMINGTON: They are flying bombers and that sort of thing.

Hon. Mr. HANSON: They have done the same thing, have they not?

Mr. SYMINGTON: No, not exactly.

Hon. Mr. HANSON: With regard to Ferry Command in 1941, the commanders were all British Airways people.

Mr. SYMINGTON: They just took bombers over and left them there.

Hon. Mr. HANSON: And they flew back too.

Mr. SYMINGTON: No, they did not fly back.

Hon. Mr. HANSON: Excuse me, I flew over and back with one.

Mr. SYMINGTON: That is B.O.A.C.

Hon. Mr. HANSON: No, excuse me, I know what I am talking about.

Mr. SYMINGTON: Well, as a regular thing, they do not.

Hon. Mr. HANSON: Perhaps that is a more explicit statement, but you do not want to leave the impression that T.C.A. are the only people who have had practical experience in this class of work because British Airways has done that for years.

Mr. SYMINGTON: The point I want to make is that we are the only people, I think, who have endeavoured to create from a bomber a commercial plane and operate it across the ocean.

Hon. Mr. HANSON: That may be true, and that is probably an exact statement. As far as I am concerned you can pass it.

Mr. JACKMAN: Coming back to my question based on "ground operation, maintenance and depreciation", I find that superintendence has gone up from \$156,266 to \$225,225. Should there be any necessary relationship at all between the general increase in operating expenses of 35 per cent and that of individual items such as superintendence?

Mr. SYMINGTON: Superintendence? I noticed that one. The explanation given to me is that the large increase in government work has caused a large increase in the superintendence of the operation.

Mr. JACKMAN: And on the same basis I refer to airport and hangar employees?

Mr. SYMINGTON: My answer to that is what I indicated before that we have lost experienced men and we also have a large number of women who, of course, are not quite as efficient in that particular job.

Mr. JACKMAN: Then there are other items like item 650 "shop expenses—indirect labour and material". There you have \$85,000 in 1942 and \$107,000 in 1943.

Mr. SYMINGTON: What number is that?

Mr. JACKMAN: 650 on page 11.

Mr. SYMINGTON: That is not a great increase.

Mr. JACKMAN: That one seems to be normal. I do not see why the same explanation should not be given.

Mr. ENGLISH: That covers supervisory men in the shops. All male employees.

Mr. JACKMAN: Why does it not compare with superintendence generally?

Mr. SYMINGTON: The superintendents are male; but the government work and the B.O.A.C. work and the R.C.A.F. work and the Department of Transport work have increased and have required at different points an increased number of supervisors on the staff.

Mr. JACKMAN: I am looking over the increase.

Mr. SYMINGTON: I am trying to make an explanation.

Mr. JACKMAN: I am trying to show what happens to a person who does not know what has been happening.

Mr. SYMINGTON: I am glad that you asked that. I noticed that item myself.

Mr. JACKMAN: It would look as if some of the expense account had been pretty severely loaded on account of the increased revenue of the company during the year. Now, I merely wish to have an explanation as to why that assumption is probably wrong?

Mr. SYMINGTON: Quite right.

The CHAIRMAN: I have a motion from Mr. McCulloch to adopt this report. All in favour?

(Report adopted).

The committee adjourned at 5.50 o'clock p.m. to meet Tuesday, March 28, at 4 o'clock p.m.

## APPENDIX A

## EMPLOYEES AND THEIR COMPENSATION

	As at Dec. 31, 1943			As at Dec. 31, 1942		
	Male	Female	Total	Male	Female	Total
Officers .....	26	...	26	20	...	20
General Office Staffs .....	24	46	70	15	21	36
Flight and Dispatch—						
Captains .....	57	...	57	50	...	50
First Officers .....	55	...	55	53	...	53
First Officers in Training .....	2	...	2	3	...	3
Stewardesses .....	...	61	61	...	52	52
Dispatchers .....	21	...	21	24	...	24
	<u>135</u>	<u>61</u>	<u>196</u>	<u>130</u>	<u>52</u>	<u>182</u>
Communication and Stations—						
Station Managers .....	14	...	14	11	...	11
Radio Operators .....	90	34	124	95	...	95
Radio Technicians .....	7	...	7	5	...	5
Passenger Agents .....	31	70	101	22	41	63
Reservations Agents .....	14	31	45	12	16	28
Telephone and Teletype Operators .....	...	91	91	...	53	53
Cargo Clerks .....	91	6	97	56	4	60
Commissary Clerks .....	...	14	14	...	...	...
Clerical .....	1	8	9	4	6	10
	<u>248</u>	<u>254</u>	<u>502</u>	<u>205</u>	<u>120</u>	<u>325</u>
Maintenance and Overhaul—						
Engineering and Clerical .....	36	17	53	20	9	29
Chief Mechanics, Foremen and Sub-Foremen, Inspectors and Crew Chiefs .....	112	...	112	65	...	65
Air Engineers, Mechanics and Jr. Mechanics .....	344	...	344	170	...	170
Helpers, Learners and Operators Building Maintenance and Cleaners .....	217	166	383	194	122	316
Chauffeurs .....	75	28	103	62	19	81
	38	1	39	24	...	24
	<u>822</u>	<u>212</u>	<u>1,034</u>	<u>535</u>	<u>150</u>	<u>685</u>
Stores .....	27	29	56	22	18	40
Accounting .....	24	37	61	20	20	40
Traffic .....	33	79	112	47	37	84
*Total .....	<u>1,339</u>	<u>718</u>	<u>2,057</u>	<u>994</u>	<u>418</u>	<u>1,412</u>

\* Note.—Includes personnel directly engaged in war contract work: 1943—320; 1942—160.

## TRANS-ATLANTIC (including Return Ferry Service)

	As at Dec. 31, 1943			As at Dec. 31, 1942		
	Male	Female	Total	Male	Female	Total
Supervisory Officers .....	3	...	3	2	...	2
Captains .....	5	...	5	3	...	3
First Officers .....	...	...	...	3	...	3
Radio Operators .....	3	...	3	3	...	3
Station Managers .....	2	...	2	...	...	...
Clerical .....	5	17	22	4	9	13
Maintenance and Overhaul .....	216	23	239	198	21	219
Stores .....	5	7	12	1	6	7
Total .....	<u>239</u>	<u>47</u>	<u>286</u>	<u>214</u>	<u>36</u>	<u>250</u>
Grand Total .....	<u>1,578</u>	<u>765</u>	<u>2,343</u>	<u>1,208</u>	<u>454</u>	<u>1,662</u>

## STANDING COMMITTEE

Percentage of female employees, T.C.A.—35 per cent as at December 31, 1943.

Total Payroll for Year—

	1943	1942
T.C.A. ....	\$3,375,964	\$2,402,552
Trans-Atlantic (including Return Ferry Service) ...	515,196	309,006
	<u>\$3,891,160</u>	<u>\$2,711,558</u>

Total Cost-of-Living Bonus for Year—

	1943	1942
T.C.A. ....	\$ 352,172	\$ 225,598
Trans-Atlantic (including Return Ferry Service) ...	54,423	21,610
	<u>\$ 406,595</u>	<u>\$ 247,208</u>

## Statement of Staff by Locations

	As at December 31	
	1943	1942
Victoria, B.C. ....	10	2
Vancouver, B.C. ....	54	47
Penticton, B.C. ....	5	4
Kimberley, B.C. ....	4	4
Lethbridge, Alta. ....	74	52
Calgary, Alta. ....	16	13
Edmonton, Alta. ....	25	18
Regina, Sask. ....	15	12
Winnipeg, Man. ....	1,110	717
Armstrong, Ont. ....	7	10
Kapuskasing, Ont. ....	10	8
North Bay, Ont. ....	10	8
Toronto, Ont. ....	348	275
London, Ont. ....	10	9
Windsor, Ont. ....	16	16
New York, N.Y. ....	14	12
Ottawa, Ont. ....	35	27
Montreal, Que. ....	99	58
Moncton, N.B. ....	112	76
Halifax, N.S. ....	42	23
Sydney, N.S. ....	12	7
Stephenville, Nfld. ....	3	1
Gander, Nfld. ....	12	6
St. John's, Nfld. ....	14	7
Total .....	<u>2,057</u>	<u>1,412</u>
Montreal, Que. (Trans-Atlantic) .....	283	250
Prestwick (Trans-Atlantic) .....	3	...
Total .....	<u>286</u>	<u>250</u>
Grand Total .....	<u>2,343</u>	<u>1,662</u>

Employees on leave of absence for Military Service, as at December 31, 1943—227.

Average Compensation per employee (including cost-of-living bonus):

T.C.A.—

December, 1943—\$157

December, 1942—\$158

B.O.A.C. and Trans-Atlantic—

December, 1943—\$170

December, 1942—\$166





SESSION 1944  
HOUSE OF COMMONS

## STANDING COMMITTEE

ON

# RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

CONSIDERATION OF ANNUAL REPORTS

Canadian National Railways, 1943.

Canadian National (West Indies) Steamships Limited, 1943.

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TUESDAY, MARCH 28, 1944.

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WITNESSES:

Mr. R. C. Vaughan, Chairman of Board of Directors and President,  
Canadian National Railways.

Mr. T. H. Cooper, Comptroller, C.N.R. and T.C.A.

Mr. N. B. Walton, Executive Vice-President, Operation and Construc-  
tion Departments, C.N.R.

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1944







## MINUTES OF PROCEEDINGS

TUESDAY, March 28, 1944.

(3)

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4 o'clock. Mr. J. P. Howden, the Chairman, presided.

*Members present:* Messrs. Donnelly, Emmerson, Hanson (*Skeena*), Hanson (*York-Sunbury*), Harris (*Danforth*), Howden, Jackman, McCulloch, Maybank, Michaud, Nicholson, Parent, Sanderson and Sissons—(14).

The Committee commenced the consideration of the Annual Report of the Canadian National Railways for the year ended December 31, 1943.

Mr. R. C. Vaughan, Chairman of the Board of Directors and President of the Canadian National Railways, was called.

Before proceeding with the reading of his report, the witness gave an outline of what the C.N.R. accomplished from 1940 to 1943. Mr. Vaughan was commended for this opening statement.

The witness read the annual report and was examined thereon.

Messrs. Walton and Cooper, respectively Executive Vice-President and Comptroller of the Canadian National Railways, assisted Mr. Vaughan. They were also called and interrogated.

The witnesses were retired.

At 6 o'clock, Mr. McCulloch moved that the Committee adjourn until 8.30 this evening. The question being put, it was resolved in the affirmative.

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## EVENING SESSION

(4)

The Standing Committee on Railways and Shipping resumed at 8.30 o'clock. Mr. J. P. Howden, the Chairman, presided.

*Members present:* Messrs. Donnelly, Durocher, Emmerson, Hanson (*Skeena*), Harris (*Danforth*), Howden, Jackman, McCulloch, Maybank, Michaud, Nicholson, Roebuck, Sanderson and Sissons—(14).

As requested of the Department of Transport, the following documents were tabled.

1. P.C. 6255, dated August 6, 1943, naming Winnipeg, Saskatoon and Edmonton under the Transport Act.
2. P.C. 6256, dated August 6, 1943, naming Halifax and Saint John under the Transport Act.

3. Application for Saint John-Halifax Air route by C.P. Air Lines Limited.
4. List of applications for air route licences and transfers made by C.P. Air Lines Limited showing date of application.

On motion of Mr. Donnelly, seconded by Mr. McCulloch, the above were filed as exhibits.

On motion of Mr. McCulloch,—

*Resolved.*—That Mr. Donnelly be vice-chairman of the Committee.

The Committee resumed consideration of the Annual Report of the C.N.R.

Mr. R. C. Vaughan was recalled and further questioned.

Messrs. Cooper and Walton, who assisted Mr. Vaughan, were also recalled and examined.

Mr. Hanson (*Skeena*) having referred to the Canadian National Railways brief before the Special Committee on Reconstruction and Re-establishment, copies of the minutes of that Committee were obtained by the Clerk and distributed forthwith.

At this stage Mr. Donnelly took the chair.

In the course of the proceedings, Mr. Cooper, in reply to a question, read a statement relative to The Toronto Belt Line Company and the Irondale Bancroft and Ottawa Railway Company.

Honourable Mr. Michaud gave details pertaining to property transfers to Government Departments.

The witness agreed to supply the Committee with information showing individual results of C.N.R. hotels.

Consideration of the C.N.R. annual report being completed, on motion of Mr. McCulloch it was adopted.

The Committee then considered and completed the Annual Report of the Canadian National (West Indies) Steamships Limited which was read by Mr. Vaughan.

On motion of Mr. Hanson (*Skeena*), the Report was adopted.

Messrs. Vaughan, Walton and Cooper were retired.

At 10.30 o'clock p.m., the Committee adjourned until Wednesday, March 29, at 4 p.m.

(Antonio Plouffe)  
Clerk of the Committee.

## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 28, 1944.

The Standing Committee on Railways and Shipping met this day at 4 o'clock p.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: I believe it is the understanding, if it is acceptable to all, that we will proceed with the report of the Canadian National Railways to-day. If there are no objections we will ask Mr. Vaughan to proceed.

R. C. VAUGHAN, Chairman of the Board and President, Canadian National Railways, called.

Mr. VAUGHAN: Mr. Chairman and gentlemen: I was almost on the point of saying it was a pleasure to be here again but I can hardly say that. However, it has not been an unpleasant duty to appear before this committee in the last two or three years. We are here to give the fullest information in every respect to the committee concerning our operations in which they are interested. We, like yourselves, are busy, and while we do not want to hurry you in any way if you could possibly let us away before the Easter recess it would be a great obligation to us.

Hon. Mr. HANSON: I was going to suggest that you go now and come back after Easter. We are all trying to do other things before we go home.

Mr. VAUGHAN: That would probably be worse for us. Before I deal with the 1943 report proper I have a few remarks here in connection with our operations for the last four years, and with the permission of the chairman and members of the committee I should like to give you some facts as to just what has been accomplished in the last four years.

In these four years we have not only made a tremendous contribution to Canada's war effort but in addition we have brought about a very substantial improvement in the financial position of the system.

In transportation performance the distance travelled by our trains exceeded 248 million miles, our passenger cars travelled 775 million miles and freight cars nearly  $6\frac{1}{2}$  billion miles. We carried 272 million tons of revenue freight and 93 million passengers. Our gross revenues exceeded \$1,368 millions. Our operating expenses amounted to \$1,053 millions. The amount paid in wages was \$659 millions. Approximately 57 per cent of our total expense went out in the form of wages. Our fuel bill alone cost us \$119 millions.

Conforming to the government's policy to prevent inflation of the currency by stabilizing wages and material prices, railway freight rates and passenger fares were frozen at their pre-war levels. Actually, due to variations in the character of the traffic, there was a decrease in our revenue per ton mile of about 5 per cent and a decrease in our revenue per passenger mile of about 9 per cent, 1943 compared with 1939. Unfortunately for the railways it has not been possible to hold expenses at their pre-war levels. Our employees were granted the maximum cost of living bonus which has cost the railway \$40½ millions. Wage increases to the employees on our United States lines cost the railway \$7½ millions. The price of coal increased from an average of \$3.76 per ton in September 1939 to \$5.43 per ton in September 1943. The price of new rail increased \$9.11 per ton, untreated ties increased from 63 to 86 cents; these are average prices of course, and general railway stores material has

increased almost 15 per cent over the pre-war level. In addition we instituted depreciation accounting in Canada on rolling stock equipment in 1940 and the amount charged into our accounts based on the normal depreciation rates has been \$47 millions.

In addition to the very heavily increased costs to which I have referred and which can be considered as uncontrollable so far as we are concerned, we have made provision in our accounts for charges of an optional nature; that is to say we were not compelled to do these things, but we have provided for them because we have been more concerned to state our results on a conservative basis than we have been to make a favourable showing at the expense of the future. In addition to the normal depreciation charge for equipment we have taken up an additional \$14½ millions because we consider under the heavy traffic conditions of the war period there has been an acceleration in the exhaustion of the service life of our equipment. We have provided \$24 millions for deferred maintenance of tracks, bridges, buildings and equipment and \$2½ millions for the amortization of facilities provided solely for wartime traffic and which are not expected to have any usefulness for ordinary commercial operations after the termination of the war. We have provided an inventory reserve of \$5 millions, and, as the committee will notice from our 1943 report, we have set up a reserve against our outstanding pension contracts, the total amount provided being \$21 millions, of which \$2 millions were charged to operating expenses in 1943 and \$19 millions was set out as a special item in the accounts. The total of these optional charges is \$67 millions. After the payment of operating charges, including all the additional and special items to which I have referred, we had net earnings of \$295 millions available for the payment of taxes, interest, etc. Out of every \$100 of additional revenue over the 1939 level we carried \$38 to net revenue.

In the period we expended \$75½ millions on property investment account including \$61½ millions for new equipment. Notwithstanding these large expenditures we actually reduced capital debt by \$38·8 millions and our fixed charges by over \$1 million.

From what I have said the committee will have received some idea of the magnitude, diversity and complexities of the operations for which we are responsible. We have a tremendous property to operate. The Canadian National family includes railways, steamships, air lines, telegraphs, express, hotels, and approximately thirty active separately operated companies. Measured by territory served and route mileage operated, we are the largest railroad on the American continent. We have over 100,000 employees and our present payroll is approximately \$200 millions a year. With respect to the general officers under whose direction these operations are conducted I think it is fair to point out there has been practically no increase in their number and their basis of compensation is lower than that paid by other railroads to officers with comparable responsibilities.

The committee may be interested to know how we are getting along in 1944. To the end of the third week in March our gross revenues show an increase of \$9·1 millions over the corresponding period in 1943. Our net revenue to the end of February has also improved by approximately one million dollars. We doubt whether this pace will be maintained and when our 1944 budget comes before you for consideration you will notice we have given expression to this view. I would like to add one short word—notwithstanding the magnitude of our operations and the tremendous expansion which has taken place in our revenues and expenses we are still keeping a very close check on our disbursements to see that under conditions which make for increased spending we continue to practise economy, and to maintain a strict control over both our capital and operating budgets.

Hon Mr. HANSON: I should like to make one or two observations of a general character. This may be no surprise to you but it may be a surprise to my colleagues who kick with the other foot politically. I want to give you a word of commendation for the results that the Canadian National Railways have achieved this year and say that you have made in my view a great contribution to the war effort. That goes for all the officials and men of the Canadian National system. This government and this country of Canada could not have done what they have done without the co-operation of both the railways and the Canadian National has had the major share and has done the major part of the job. I think it is due to you, having regard to my position in public life being opposed to the present administration, that I should say that to you and your staff, and I do so without any reservations.

Having said that much I am not going to turn around and kick you in the face but I am going to say this to you, that we shall be glad to analyse and criticize not with a view to injuring you at all events but to elicit if we can the facts which we think the Canadian people ought to know.

Mr. VAUGHAN: I certainly appreciate what you have to say, Mr. Hanson, in those kind remarks. I can assure you we are always willing and anxious to give all the information we can and we are not a bit thin skinned about criticism.

Hon. Mr. HANSON: I should like to strike this personal note. There are those people in this country, and I expect there are those people in the ranks of the Canadian National Railway, who perhaps look upon me as an enemy of the system, but I am not. For ten years I did a lot of legal work for the Canadian government railways, from 1911 to 1921, and I was always interested in the railway. Mr. Girard Ruel, who was general counsel of the railway at that time, paid me the compliment of saying that I had won more law suits for the Canadian National Railway than any other lawyer they ever employed. Therefore, I want it to be understood that while I am critical of lots of things I am not an enemy of this railway and I am not looking for railway votes for I have very few of them in my constituency.

Mr. VAUGHAN: We appreciate that.

Hon. Mr. HANSON: I want to approach the matter from that standpoint. There are things I think we should understand. One of the things that I should like to ask you of a general character is this question. I was not in parliament when the new financial set-up was made, and I am not as familiar with it as I ought to be, but I recall the agitation which took place for quite a number of years prior to—was it 1937?

Hon. Mr. MICHAUD: Yes.

Mr. COOPER: The Capital Revision Act was in 1936.

Hon. Mr. HANSON: Prior to that time, for a revision of the capital structure, if that is the right term to use. My understanding is that the effect of that legislation was to eliminate from your balance sheet the operating deficits up to that time. I am just querying that because I am not quite certain about the statement. Valueless stocks with which you were debited in your balance sheet were eliminated. I cannot recall if the capital stock of the company itself was reduced at that time or not. I should like to ask you if, in your opinion, there is to-day a satisfactory financial set-up?

Mr. VAUGHAN: I presume, Mr. Hanson, you refer to our fixed charges?

Hon. Mr. HANSON: Yes, I do.

Mr. VAUGHAN: We consider that our fixed charges to-day are out of all relation to our earning power as compared with class one railroads in the United States or even compared with the Canadian Pacific Railway.

Hon. Mr. HANSON: That is the point I was coming to. You say that your fixed charges are out of line with your earning power as compared with class one railways in the United States. Are your people here—I think Mr. Cooper might be able to—able to give us the funded debt of the privately-owned railways that went into the system in 1919, was it, like the Grand Trunk?

Mr. VAUGHAN: About 1918.

Hon. Mr. HANSON: The Grand Trunk Pacific and the Canadian Northern, and then how much has been added to that funded debt by the consolidated corporation? There is no doubt about it you had to assume a very large funded obligation of companies that could not go on due to war conditions, and otherwise. If we could just have a little review of that picture it might be illuminating as illustrating the difficulties which you have and which you say operate against your showing having regard to your earning power. I do not know whether I have made myself clear or not.

Mr. VAUGHAN: I know exactly what you want. I do not know whether Mr. Cooper has any figures here on that or not.

Hon. Mr. HANSON: If he cannot give them now he can give them a little later on.

Mr. COOPER: I could say this, Mr. Hanson, that going back to the Capital Revision Act of 1936 what was done at that time was to write out of our balance sheet the worthless capital stocks of the Grand Trunk and the Canadian Northern.

Hon. Mr. HANSON: What were they carried at, if you recall from memory? Let us see what the write-down was?

Mr. COOPER: In the nature of \$275,000,000.

Hon. Mr. HANSON: In round figures?

Mr. COOPER: Yes, I am speaking from recollection.

Hon. Mr. HANSON: That, of course, did not affect your earning power; you paid no dividends on that, but it was an asset that was worthless. Is that the idea?

Mr. COOPER: It was a capital stock liability, but the stocks themselves were deemed to have no value, and on that account were taken out of our balance sheet.

Hon. Mr. HANSON: Nobody suffered anything from that and nobody gained anything from that. That was really a washing-out item which had the effect, did it not, to just improve on paper your position?

Mr. COOPER: Yes. I would describe it as a bookkeeping transaction entirely.

Hon. Mr. HANSON: A bookkeeping transaction.

Mr. COOPER: It had no effect whatever on the financial results of the property. Then, in addition, we dealt with the debt to the Dominion.

Hon. Mr. HANSON: That was improved?

Mr. COOPER: Loans which had been made by the Dominion for deficits, and interest on such loans—

Hon. Mr. HANSON: Up to what period?

Mr. COOPER: To the end of 1936 were also eliminated from our balance sheet.

Hon. Mr. HANSON: How much did that amount to? I am asking these questions because I was not here at that period and I am not familiar with the picture. I just want to get a preview of it.

Mr. COOPER: I told you that the approximate value of the capital stocks written out was \$275,000,000. Referring to the Capital Revision Act itself I see the amount is \$262,000,000.

Hon. Mr. HANSON: Only a question of a few millions.

Mr. COOPER: Government loans for deficits amounted to \$373,000,000.

Hon. Mr. HANSON: That would include interest?

Mr. COOPER: No, without interest.

Hon. Mr. HANSON: That was the principal of loans to cover deficits?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Was accumulated interest charged too?

Mr. COOPER: There were accumulated interest charges of \$530,000,000.

Hon. Mr. HANSON: And that was carried by you as a liability, too?

Mr. COOPER: Up to that time.

Hon. Mr. HANSON: So that the cancellation of that affected your balance sheet by nearly \$1,000,000,000?

Mr. COOPER: \$1,167,000,000.

Hon. Mr. HANSON: Was that the only relief you received? Of course, that is quite substantial.

Mr. COOPER: In addition loans by the government which had been used for capital purposes were transferred from the category of an interest bearing debt to what is called share capital.

Hon. Mr. HANSON: They took stock?

Mr. COOPER: They took shares in what we call the Canadian National Securities Trust.

Hon. Mr. HANSON: How much did that amount to?

Mr. COOPER: It was around \$270,000,000.

Hon. Mr. HANSON: So that there was lifted from your shoulders about \$1,300,000,000.

Mr. COOPER: The \$270,000,000 of capital debt was not entirely removed from the balance sheet; it was changed from an interest bearing debt to share capital.

Hon. Mr. HANSON: It was changed to another form of liability?

Mr. COOPER: Yes.

Mr. HANSON: Proprietorship.

Mr. COOPER: Yes.

Hon. Mr. HANSON: And therefore it did not appear as a debt against the corporation?

Mr. COOPER: That is correct.

Hon. Mr. HANSON: In other words, you had the benefit to the tune of nearly \$1,300,000,000?

Mr. VAUGHAN: Except that we do not think those charges should ever have been there.

Hon. Mr. HANSON: That is another question.

Mr. VAUGHAN: It is hardly a relief when it is something that should not have been there.

Hon. Mr. HANSON: They were there whether you liked it or not, and it is not your responsibility that they were there or any of the present executive. They were the accumulation of the years, and I suppose the government of the day, whatever government it was, made you assume them. That money was

transferred to the taxpayers of the country; they have assumed it, and as far as we are concerned it is not very profitable for us to consider, but I want to consider what the betterment of your condition was. That did not affect your earning power, did it?

Mr. COOPER: There was another part of your question as to whether the relief obtained created what might be called a reasonable capital structure.

Hon. Mr. HANSON: That is right.

Mr. COOPER: I think the answer is very definitely it did not.

Hon. Mr. HANSON: You mean it did not go far enough?

Mr. COOPER: No.

Hon. Mr. HANSON: You say it did not go far enough?

Mr. COOPER: Yes.

Hon. Mr. HANSON: In what respect?

Mr. COOPER: I think that the test of that is to compare the ratio which our fixed charges bear to our gross revenues with the ratio which the fixed charges of other railroads bear to revenues.

Hon. Mr. HANSON: In other words, you say the ratio of the fixed charges is higher, relatively, than it ought to be?

Mr. COOPER: Yes; very definitely so.

Hon. Mr. HANSON: As compared with other corporations of a like character?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Are you referring to the fixed charges against the constituent companies that went into the amalgamation, like the Grand Trunk, the Grand Trunk Pacific and the Canadian Northern, which you had to meet?

Mr. COOPER: I am referring to the fixed charges which remained after the Capital Revision Act had been made effective.

Hon. Mr. HANSON: But the main ones were the three I have indicated, were they not?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Is there any consideration given to any part of the obligations of the government put out with respect to the old Intercolonial and the National Transcontinental? You never had to assume any of those at any time?

Mr. COOPER: We carry them in the balance sheet. We carry the cost of the Intercolonial Railway.

Hon. Mr. HANSON: As against the value, do you?

Mr. COOPER: Yes. On the asset side we have the ledger value of all of the government railways; and on the other side we have as a liability to the government, under the heading of "Proprietors Capital", the offsetting amount. I should like to go back to the fixed charges and tell you why I believe they are too high.

Hon. Mr. HANSON: I have invited you to do so. I wish you would.

Mr. COOPER: Taking 1939 as the last pre-war year, the percentage of fixed charges to operating revenues of Class 1 roads in the United States was 15.21.

Hon. Mr. HANSON: That is in the report?

Mr. COOPER: No, sir.

Hon. Mr. HANSON: Is there not reference to that in the president's report?

Mr. VAUGHAN: Not to this particular figure.

Hon. Mr. HANSON: Pardon me.



Mr. COOPER: That is to say, out of every \$100 of revenue that Class 1 railroads of the United States earned, \$15 was required to pay their fixed charges.

Hon. Mr. HANSON: Yes.

Mr. COOPER: In the case of the Canadian Pacific, for instance, the figure is \$16.12 per \$100 of revenue. In the case of the Canadian National Railways, the figure is \$26.24.

Hon. Mr. HANSON: Yes.

Mr. COOPER: In 1942 the proportion of fixed charges to gross revenue of Class 1 roads is 8·82. Taking some of the railroads themselves, I will give you the percentages: the Pennsylvania percentage is 9·16; New York Central is 8·17; Southern Pacific is 6·07; Atchison, Topeka and Sante Fe is 2·72; the Union Pacific is 4; Baltimore and Ohio is 6·49; the Canadian Pacific is 8·87, but the Canadian National is 13·75.

Hon. Mr. HANSON: Did you give us the C.P.R. there?

Mr. COOPER: 8·87.

Hon. Mr. HANSON: They are about in the average?

Mr. COOPER: Ours is 13.75.

Hon. Mr. HANSON: You attribute that to the huge amount of capital indebtedness that was loaded into the system at the time of the amalgamation?

Mr. COOPER: Yes.

Hon. Mr. HANSON: I suppose it is a matter of government policy whether it should stay there or not. I suppose we shall have to leave it at that.

Mr. COOPER: We hope it will come down.

Hon. Mr. HANSON: I beg your pardon?

Mr. COOPER: I say we hope it will come down soon.

Hon. Mr. HANSON: If Mr. Coldwell gets in power, he is going to nationalize you and take it all out, I expect. That would be an interesting inference.

Hon. Mr. MICHAUD: Now you are starting something.

Mr. MAYBANK: It was eight point something as against 13 point something, as between the C.P.R. and the C.N.R., so possibly you would be at once brought into the average position, so that both railroads are the same.

Mr. COOPER: I think it is a reasonable proposition to advance that the fixed charges of the Canadian National system in relation to gross revenues should be somewhat uniform with the other railroads.

Hon. Mr. HANSON: Yes, if the conditions were the same. But of course I think one of the troubles with this system, and one which I have always recognized, is that government policy has loaded you up with a lot of unprofitable lines. We know it in the east.

Mr. COOPER: Of course, it was the government policy of 1914, 1918 and 1920.

Hon. Mr. HANSON: That was during the war. But since then, look at the smaller lines that have been put into the system, just to keep them going, lines that would not have gone at all. That is a great liability.

Mr. VAUGHAN: It is a liability, but I suppose transportation had to be provided for those people.

Hon. Mr. HANSON: Well, I suppose that is the answer. I will come right down home. We have one in my country between Saint John and Quebec, which was built with the consent of both political parties because the location of the transcontinental slashed right across the province where it did not serve any useful local purpose, and where Nova Scotia imposed its will on New Brunswick. That is what happened. There is a line that the government took over after a long period of time, which must have been an obligation to this road, always. I

can name you a few branch lines down in that country. I listened to the plea for ten years about the Gaspé Railway. That was another important adjunct to the Canadian National. Those things have all added to your burden, Mr. Vaughan.

Mr. VAUGHAN: Undoubtedly. As you know, about 30 per cent of the railways in the United States were in receiver's hands, and their fixed charges were adjusted on the basis of 3 to 6 per cent of the average gross earnings from 1936 to 1939. Take the Topeka line. They had fixed charges of eight and a half million, and it has been cut down to \$54,000 a year.

Hon. Mr. HANSON: They put them through receivership. But you cannot do that?

Mr. VAUGHAN: We cannot do it. We have to continue to assume all these burdens.

Hon. Mr. HANSON: I suppose it is on the theory that the government cannot repudiate. Is that the idea?

Mr. DONNELLY: Cannot break a contract.

Mr. VAUGHAN: The government cannot repudiate its guarantees.

Hon. Mr. HANSON: Anyway there is the position; you have this burden willy nilly and it puts you in that unenviable position.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Compared with other lines.

Mr. VAUGHAN: Yes, especially when traffic is light.

Hon. Mr. HANSON: Yes, especially when traffic is light. That brings you down to the point where you get some relief anyway from government obligations, but not enough, you say.

Mr. VAUGHAN: It was some relief in one sense, but in another sense it was not, because that charge should never have been there.

Hon. Mr. HANSON: Well, that is a matter of argument. You and I could not settle it, anyway.

Mr. VAUGHAN: No.

Hon. Mr. HANSON: I am not sure you are right, and I do not know enough about it to say that I am right. I am coming now to the point after the 1936 statute. You had some difficult periods then?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Due to the two factors that you have covered, light traffic and overhead, too much for fixed charges?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: What have those aggregated, Mr. Cooper, down to the time when you got out of the red?

Mr. COOPER: That is from 1937 to 1939?

Hon. Mr. HANSON: Whenever you turned the corner?

Mr. COOPER: In 1937 we had a deficit of \$42,000,000.

Hon. Mr. HANSON: Which the government advanced to you and charged you interest on?

Mr. COOPER: I beg your pardon?

Hon. Mr. HANSON: The government advanced that to you?

Mr. COOPER: They contributed it.

Hon. Mr. HANSON: You used the word "contributed". They paid it to you?

Mr. COOPER: They paid it to us.

Hon. Mr. HANSON: Did they lend you the money or give it to you?

Mr. COOPER: They gave it to us.

Hon. Mr. HANSON: They gave it to you?

Mr. COOPER: That is, they absorbed our deficit. They did not treat it as a loan.

Hon. Mr. HANSON: What did you give them in return?

Mr. COOPER: Nothing, except services.

Hon. Mr. HANSON: Oh, you did not set up a credit?

Mr. COOPER: No.

Mr. MAYBANK: They did not carry that as a debt.

Hon. Mr. HANSON: Was that giving effect to the statute or was it because of a provision of the statute?

Mr. COOPER: There was a vote of the house that covered it.

Hon. Mr. HANSON: I know how the money would have to be advanced.

Mr. COOPER: It was voted as a contribution and not as a loan.

Hon. Mr. HANSON: Not as a loan. That was in the session of 1937-1938?

Mr. COOPER: Yes, I think so. I have forgotten which session it was. Mr. Rhodes was finance minister then. There was a retroactive period there of a year or so.

Hon. Mr. HANSON: It could not have been Mr. Rhodes.

Mr. DONNELLY: Mr. Rhodes was in 1935 or 1934.

Mr. MAYBANK: This was 1937.

Hon. Mr. MICHAUD: In order to set the record right, the Act was passed in the session of 1937.

Hon. Mr. HANSON: That is what I thought. He said 1936.

Hon. Mr. MICHAUD: No. The Act was passed in 1937.

Hon. Mr. HANSON: The next year there was a deficit of how much?

Mr. COOPER: In 1937 the deficit was \$42,000,000.

Hon. Mr. HANSON: \$43,000,000?

Mr. COOPER: \$42,000,000.

Hon. Mr. HANSON: And that was paid by the government out of the vote of parliament?

Mr. COOPER: Right.

Hon. Mr. HANSON: How was it handled as a matter of book-keeping?

Mr. COOPER: By us?

Hon. Mr. HANSON: Was it credited by you to the government or did they charge it to you in their books?

Mr. COOPER: No. We had a deficit recorded on our books of \$42,000,000. We received that amount of money from the government.

Hon. Mr. HANSON: Nobody got any credit for it?

Mr. COOPER: As far as we are concerned, we took credit for it in the profit and loss account. In the government accounts it was charged to consolidated revenue.

Mr. MAYBANK: It was shown in your account simply as an increment of revenue?

Mr. COOPER: In our account we had a deficit and we charged it against the government. They paid us the amount, and that settled the account.

Hon. Mr. HANSON: There was not any obligation arising?

Mr. COOPER: No.

Hon. Mr. HANSON: There was no obligation. We understand that. The next year what was the amount of the deficit?

Mr. COOPER: \$54,000,000.

Hon. Mr. HANSON: That would be in the year 1938?

Mr. COOPER: Yes. In 1939 it was \$40,000,000.

Hon. Mr. HANSON: And it was treated in the same way?

Mr. COOPER: Yes. And in 1940 it was \$16,000,000.

Hon. Mr. HANSON: What did you say it was in 1940?

Mr. COOPER: In 1940 it was \$16,000,000.

Hon. Mr. HANSON: And in 1941?

Mr. COOPER: In 1941 we had a surplus of \$4,000,000.

Hon. Mr. HANSON: What are the total amounts of the deficits up to the point where you have turned the corner? I cannot do all this in my head.

Mr. COOPER: \$152,000,000.

Hon. Mr. HANSON: Then will you proceed down to and including 1943?

Mr. COOPER: In 1941 we had a surplus of \$4,000,000. In 1942 we had a surplus of \$25,000,000. In 1943 we had a surplus of \$35,000,000.

Hon. Mr. HANSON: That is how much altogether?

Mr. COOPER: \$64,000,000.

Hon. Mr. HANSON: As against deficits of what?

Mr. COOPER: \$152,000,000.

Hon. Mr. HANSON: What happened with regard to that money, the surpluses that you had? You pay that to the government do you?

Mr. VAUGHAN: Yes. We pay it back in cash to the government.

Hon. Mr. HANSON: You pay it back in cash to the government. Do they take that into the Consolidated Revenue Account?

Mr. COOPER: Which is that?

Hon. Mr. HANSON: How do they treat that? How did the government treat your \$35,000,000 surplus this year if you know?

Mr. COOPER: They have applied it against our indebtedness, I understand.

Hon. Mr. HANSON: In other words, in the government books they charged you with the deficits they paid since 1937?

Mr. COOPER: No. They applied our surpluses against our indebtedness for capital.

Hon. Mr. HANSON: Concurrently with the payment of these deficits that we speak of from 1937 to 1940, there were capital advances.

Mr. COOPER: Yes.

Hon. Mr. HANSON: What were they by years, and how much do they amount to? This may seem to be foolish to some of you—

Mr. MAYBANK: I think it is very good, sir.

Hon. Mr. HANSON: It is informative, and I should like to have it.

Mr. MAYBANK: I think it is very good from many points of view. I think you have the general approval of the committee.

Mr. COOPER: I should like to go back, Mr. Hanson, before I answer the other question. I gave you the deficits subsequent to the passing of the Capital Revision Act.

Hon. Mr. HANSON: That is what I was asking for.

Mr. COOPER: It has been drawn to my attention that this arrangement with respect to the assumption by the government of deficits started before the Capital Revision Act. It really commenced in the year 1932.

Hon. Mr. HANSON: Yes. I should have known that. I had forgotten that. I suppose, to make the picture complete, that we ought to have it from 1932 on. Perhaps you could supply that to the reporter for the purpose of the record, giving those figures from 1932 on. It was treated in exactly the same way as you have suggested?

Mr. COOPER: Yes.

Hon. Mr. HANSON: We ought to have the whole picture. If you hand into the reporter the totals for those years, and then the grand total, it would cover the situation. Now you are going to give me the capital advances.

Mr. COOPER: Yes. I am sorry I have not got them by years, but they began in the year 1932.

Hon. Mr. HANSON: And after the passage of the so-called Canadian National-Canadian Pacific Railway Act?

Hon. Mr. MICHAUD: Yes.

Mr. COOPER: As I understand it, there was a change in the financial policy of the Government.

Hon. Mr. HANSON: By the government.

Mr. COOPER: As explained by the Minister of Finance in the budget speech of March 21, 1933.

Hon. Mr. HANSON: Oh, yes.

Mr. COOPER: Perhaps I should read this.

Hon. Mr. HANSON: That is Mr. Rhodes?

Mr. COOPER: This is Mr. Rhodes. I will read what he said:

One of the recommendations of the Royal Commission on Railways and Transportation, to which effect is being given in the legislation now before parliament, is that sums which are required to meet deficits should be voted by parliament annually. To implement this recommendation, the government has submitted an estimate of \$53,422,661 in respect of the income deficit of the system in 1932 (excluding the loss on eastern lines already provided for by vote.)

Hon. Mr. HANSON: By another vote.

Mr. COOPER: Then he went on:—

This amount will be credited against the loans of \$61,500,000 above referred to, leaving a balance owing the government of \$8,077,339, which will remain standing as an interest-bearing loan, representing as it does outlay for capital account and debt reduction.

Beginning with that amount of \$8,000,000 in 1932, which was the residue of the loan of \$61,000,000, (of which \$53,000,000 was deficit and \$8,000,000 was capital,) as we say in our annual report, the government has advanced us for capital purposes—

Hon. Mr. HANSON: What page are you referring to?

Mr. COOPER: Page 11 of the annual report. In the interval the government has advanced us in all \$537,000,000, and that has been used for the purposes shown—repatriation of securities, \$588,000,000; redemption of matured securities, \$94,000,000; purchase of new rolling stock, \$40,000,000; and additional working capital, \$14,000,000; a total of \$537,000,000.

Hon. Mr. HANSON: That is very interesting, is it not—\$537,000,000 of government loans since 1932. That is the total since 1932?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Starting with the \$8,000,000 you referred to.

Mr. COOPER: Yes.

Hon. Mr. HANSON: The major part of it was for repatriation of securities held in England?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Those were Grand Trunk securities?

Mr. COOPER: Principally Grand Trunk.

Hon. Mr. HANSON: Would there be a substantial capital saving by that operation?

Mr. COOPER: Yes, there was.

Hon. Mr. HANSON: How much?

Mr. COOPER: The report says that as against a par value of \$408,000,000 the purchase price was \$388,000,000.

Hon. Mr. HANSON: That is the gross.

Mr. COOPER: Approximately \$20,000,000 of capital gain.

Hon. Mr. HANSON: Now, that would be partly in depreciation of value at which you bought below par and some item of exchange?

Mr. COOPER: Yes.

Hon. Mr. HANSON: What is the proportion for each? Say, \$20,000,000: what was that comparable to—

Mr. COOPER: I would have to analyze the figure to separate it.

Hon. Mr. HANSON: It is not really important; the thing is you saved \$20,000,000.

Mr. COOPER: There was a capital gain of \$20,000,000.

Mr. DONNELLY: As regards this \$388,000,000, was that paid out in cash by the government or how was it paid?

Mr. COOPER: The holders in the United Kingdom were paid by the Bank of England; the Bank of England bought the securities from residents of the U.K.

Hon. Mr. HANSON: Was it under the War Measures Act?

Mr. COOPER: Yes, it is part of an arrangement between Canada and the United Kingdom for the financing of the war.

Hon. Mr. MICHAUD: That amount was credited to England and applied against goods sold to Canada.

Hon. Mr. HANSON: It is a bookkeeping entry. The fact is that the Canadian National are better off by \$20,000,000, it was done by credits from the Canadian government and charged against the Canadian National.

Mr. COOPER: Yes.

Mr. VAUGHAN: Of course, we pay the government  $3\frac{1}{2}$  per cent interest on the money.

Hon. Mr. HANSON: Three and one-half per cent. I do not know why they should not give it to you for 3.

Mr. VAUGHAN: We would like it on an income charge basis where we would only pay interest if earned.

Hon. Mr. HANSON: This is on money between the taxpayers. I think you ought to pay interest but I do not think you ought to pay more than the cost to the government plus a service charge.

Mr. COOPER: We would not know what it cost the government. As far as we are concerned the government charged us  $3\frac{1}{2}$  per cent.

Hon. Mr. HANSON: That is arbitrary; you had to agree to it. Now, then you had the reduction of matured securities under the 1938 Refunding Act of \$94,000,000. I am not familiar with what that is, explain that; is it part and parcel of the \$538,000,000?

Mr. COOPER: For example, we had an issue of \$55,000,000 of 2 per cent 7-year guaranteed bonds which matured February 15, 1943. The government lent us \$55,000,000 with which to retire these 7-year bonds.

Hon. Mr. HANSON: That was pre-payment; 1943?

Mr. COOPER: No, they became due for payment in 1943.

Hon. Mr. HANSON: They were issued under the Act of 1938 and matured in 1943?

Mr. COOPER: The Government advanced the Canadian National money to redeem the bonds under the 1938 Refunding Act, and charged us  $3\frac{1}{2}$  per cent on the \$55,000,000.

Hon. Mr. HANSON: You still owe that?

Mr. COOPER: Yes, we still owe that.

Mr. HANSON (*Skeena*): What interest were you paying before that time?

Mr. COOPER: Two per cent.

Mr. HANSON (*Skeena*): The government is charging you more than you were paying before.

Mr. COOPER: Yes.

Mr. VAUGHAN: They jumped the rate from two per cent to three and one-half per cent.

The CHAIRMAN: Would it be in order for us to consider this report before indulging in any further interrogation?

Hon. Mr. HANSON: I am in the hands of the committee, but I think this is important.

The CHAIRMAN: I think it is important too but I think the time to consider it is after. However, it is a matter of what the committee wishes.

Hon. Mr. HANSON: I think the committee and not the chairman ought to direct.

The CHAIRMAN: I am not trying to direct; I am making a suggestion to the committee.

Hon. Mr. HANSON: All right, call it what you like, but you are trying to head me off as I see it.

Mr. MAYBANK: You do not want to be headed off.

Hon. Mr. HANSON: No.

Mr. JACKMAN: Could you not issue some shorter term securities in five or ten years which would bear a rate less than 3 per cent without a government guarantee if you were a free agent?

Mr. VAUGHAN: We could not do that without interfering with the government's financial plans.

Hon. Mr. HANSON: It is a question of policy during the war. They do not want you or me or anybody else to go to the market to borrow money. I think that is fair. I think  $3\frac{1}{2}$  per cent,—

Mr. JACKMAN: But the government does allow governments to refund issues. Here you have a 2 per cent obligation outstanding and it matures and you have to get your funds from the government at  $3\frac{1}{2}$  per cent. That is a very substantial increase, whereas a private company would be allowed to refund that issue. Some bond holders take a lower yielding security, and there is a substantial

saving to the borrowing corporation. Why should the railway company be in a worse position than the ordinary citizen of the country?

Mr. VAUGHAN: The government are our bankers and we have to do as they say in financial issues.

Hon. Mr. HANSON: Don't you have any argument with them?

Mr. VAUGHAN: Indeed we do. We think, generally speaking, the government has been fair. We have a discussion when every loan comes due as to the interest. We have some other loans coming due, and I think we will be able to make satisfactory arrangements with the government in regard to them.

Hon. Mr. HANSON: Now, you have capital advances of \$537,000,000 owing to the government, borrowing, generally speaking, at  $3\frac{1}{2}$  per cent, and against that they have been crediting the revenue payment that you have made to them of the \$35,000,000, \$25,000,000 and \$4,000,000; that goes as a reduction?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: You are paying your debt before you are paying anything else?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: You are reducing your overhead charges?

Mr. VAUGHAN: That is what we have in mind.

Hon. Mr. HANSON: Now, then, there is still a substantial balance against you for operating deficits that the government have paid, have there not? You do not call it a balance against you, but on the books of the company.

Mr. COOPER: The government does not hold it against us.

Hon. Mr. HANSON: It is not an enforceable thing, but they pay it out of the taxpayers' money. Now, we are in a war and you are doing well and making money, and if you could hold your operating expenses down you would do a lot better. What do you conceive to be—I will ask the reporter not to take this down.

(Several questions and answers off the record)

I would like the president of this system to explain to the Canadian people what the position is—perhaps he has it all in his report or part of it—what the position is of this road and the Canadian Pacific with respect to earning power, having regard to rates, freight, passenger traffic, compared with other class 1 roads in America. What is your position relatively to all the other big railroads of the world?

Mr. VAUGHAN: Our position is that our revenue per ton mile is lower than that of any country of the world except Japan.

Hon. M. HANSON: You mean your rates.

Mr. VAUGHAN: Our average revenue. The average revenue per ton mile in Canada is lower than it is in any other country in the world, and our expenses are naturally very much higher.

Hon. Mr. HANSON: Are you frozen?

Mr. VAUGHAN: Our rates are frozen.

Hon. Mr. HANSON: Your rates are frozen?

Mr. VAUGHAN: Absolutely.

Mr. DONNELLY: They are controlled?

Hon. Mr. HANSON: They are all controlled; frozen and controlled are two different things.

Mr. VAUGHAN: They are frozen for the duration of the war.

Hon. Mr. HANSON: That is not true of your operating expenses?

Mr. VAUGHAN: No, sir.



Hon. Mr. HANSON: They have continually risen?

Mr. VAUGHAN: Yes, sir.

Hon. Mr. HANSON: I think that ought to be made public because that is the experience of every business in Canada with a ceiling policy.

Mr. DONNELLY: How does your passenger rate compare with that of American lines?

Mr. COOPER: I have our own passenger rate but I do not know that of others. It was 1·8 cents in 1943.

Mr. VAUGHAN: Mr. Donnelly, you asked about our passenger rates. Our average revenue per passenger mile in 1939 was 2·035 cents and in 1943 it was 1·848 cents. So our average revenue per passenger mile was considerably less in 1943 than it was in 1939. Our average revenue per freight ton mile was approximately the same in 1943 as it was in 1939.

Mr. DONNELLY: What was that?

Mr. VAUGHAN: ·9 cents—·90; that is 9/10ths of 1 cent.

Mr. HANSON (*Skeena*): How does that compare with the C.P.R.?

Mr. DONNELLY: Can you give us that for any American roads?

Mr. VAUGHAN: I have given you the wrong figures. The rate in 1939 was ·00938 and in 1943 it was ·00894, a decrease of 4·69 per cent. That is, our revenue was 4·69 per cent per ton mile less in 1943 than it was in 1939.

Mr. DONNELLY: Less than a cent per ton mile?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: What is the comparable figure for the United States lines and the C.P.R.?

Mr. VAUGHAN: The Canadian National figure in 1942 was ·909 and the average for class 1 railways in the United States in 1942 was ·932.

Hon. Mr. HANSON: So that both Canadian roads are below the average in the United States?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: And that means that you have lower rates?

Mr. VAUGHAN: Yes.

Mr. DONNELLY: Have you the rates of any other countries outside of Canada and the United States?

Mr. VAUGHAN: The rates outside of Canada are very much in excess of our rates. Take, for instance, South Africa or India or Australia or New Zealand or even England; they are about two or three times our rates.

Mr. DONNELLY: New Zealand, I understand, has a rate of 3 cents per ton mile.

Mr. VAUGHAN: Yes, very nearly. All of those countries have very much higher freight rates than we have.

Hon. Mr. HANSON: But you are still below the United States?

Mr. VAUGHAN: We are still below the United States, and our materials on the average cost us, I suppose, 20 or 30 cents more than they do in the United States.

Hon. Mr. HANSON: There is another aspect of the thing—

Mr. DONNELLY: We carry grain lower than they do in any other country in the world.

Hon. Mr. HANSON: I suppose we always have since we have had the Crow's Nest rates fastened on us by statute.

Mr. DONNELLY: We are not getting the full effect according to the agreement—we cannot get the full effect of the Crow's Nest Pass as it was.

Mr. MAYBANK: If he is going to try to repeal the Crow's Nest rates we had better send out for enforcements.

Hon. Mr. HANSON: No, I do not think any public man in Canada will ever attempt to do that.

Mr. VAUGHAN: I can give you something with regard to grain rates in Canada comparable with rates in the United States. Take the rate to Fort William from Woodridge, Manitoba, 369 miles, 14 cents per 100 pounds and then take a place like Elmdale, North Dakota, about 365 miles, to Duluth and the rate is 22 cents. In that particular case the United States railways get 57 per cent more than we do. Take the case of Atwater, Saskatchewan, 685 miles from Fort William, our rate is 19 cents per 100 pounds while on the American side from Homstead to Duluth, a distance of 686 miles, the American rate is 34 cents or 79 per cent greater than ours. And it follows that way all the way along.

Hon. Mr. HANSON: That is what I understood it was, and you are powerless to make any changes, at least during the war.

Mr. VAUGHAN: Our average rate on grain in 1943 was .00549.

Hon. Mr. HANSON: And the C.P.R. is the same?

Mr. VAUGHAN: Yes, ours are comparable with the C.P.R.

Hon. Mr. HANSON: On the other side of the picture, we had the Trans-Canada Airways yesterday and you know there was a slight leak in their operating expenses?

Hon. Mr. HANSON: Mr. Symington made a stab at explaining it, perhaps he did to his own satisfaction but he did not to mine. What has been the chief burden in your operating expenses—perhaps I should not use the word "burden"—what have been the chief items of increase?

Mr. VAUGHAN: In that first statement I gave you for the four years from 1940, Mr. Hanson, I stated that the cost of living bonus was \$40,500,000 and that the increase to employees on the United States lines amounted to \$7,500,000.

Hon. Mr. HANSON: That is your line?

Mr. VAUGHAN: Yes. I stated that the price of coal had gone up from \$3.76 per ton in 1939 to \$5.43 per ton, and that is just an indication of the way costs have increased.

Hon. Mr. HANSON: Are those the chief items?

Mr. VAUGHAN: Yes. In nearly every item that we purchase the cost of the commodity has increased very substantially.

Mr. WALTON: There are a couple of other considerations if you would care to mention them. There is no question that with over 17,000 of our employees in the armed forces, who constitute the young, vigorous element, and have been replaced to a large extent by inexperienced help, that has forced up our expenses.

Hon. Mr. HANSON: I have no doubt that is true. I can quite understand that. I think that is the experience with everybody. I know we had to shut down one of our mills because we just could not run it on school boys and old men.

Mr. DONNELLY: You have compared the freight rate with regard to grain. Have you anything comparing the freight rate in Canada and the United States with regard to cattle?

Mr. VAUGHAN: I did not catch that.

Mr. DONNELLY: Have you anything comparing the freight rate in Canada and the United States with regard to cattle?

Mr. VAUGHAN: No, I have not anything of that kind here.

Hon. Mr. HANSON: Perhaps we are a little too far afield. I just wanted to get a general picture.

Mr. DONNELLY: That is very important with us. Some of them go to Chicago and some to Winnipeg.

Hon. Mr. HANSON: I wanted to get the whole picture.

Mr. NICHOLSON: Can we have the president proceed with his report now?

Mr. JACKMAN: In regard to a question raised by Mr. Hanson previously Mr. Cooper gave us the percentage of fixed charges to operating revenue for class one railroads in the United States and the C.N.R. and the C.P.R. Of course, most of those class one railroads that you mentioned, being class one, are all very good railroads. I think we agree on that. Most of them have a substantial value attached to their equity, to their common stocks, all of which are paying dividends, and I think by looking at the list they have all paid dividends right even through the depression.

Hon. Mr. HANSON: Not all of them.

Mr. VAUGHAN: That covers railroads, good and bad.

Mr. WALTON: Over a million gross earnings, is it not? The reference to class one really has not any regard as to whether they are a first class railroad or not. It is based on their earning power. Anything over a million dollars per annum of gross earnings is classed as a class one railroad.

Mr. VAUGHAN: There were very few railroads during the depression that paid any dividends in the United States. You could count them on one hand.

Mr. JACKMAN: There was the Pennsylvania, Santa Fe, B. & O.

Mr. VAUGHAN: You had the Pennsylvania. The New York Central did not pay any. The Union Pacific paid and the Norfolk & Western, and I think the Chesapeake and Ohio, the coal roads, but outside of that practically every railroad in the United States suspended dividends during the depression period and, in fact, one-third of the mileage was in the receiver's hands, and a substantial mileage of the United States is still in the receiver's hands.

Hon. Mr. HANSON: They are coming out.

Mr. VAUGHAN: They are coming out with greatly reduced fixed charges.

Hon. Mr. HANSON: They have been re-financed. The whole picture boils itself down to this as far as the Canadian National is concerned. The country has put in in one form or another—I think myself chiefly in opening up the country—over \$3,000,000,000, and you have had to carry an undue proportion of that load. Pioneer railroading, as we had to have it in Canada, or thought we had to have it—it is hardly worth while to go back into the history of that—has cost a lot of money?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: And on this whole capital structure your suggestion is too large a proportion having regard to your earning power is loaded into the system?

Mr. VAUGHAN: It is our contention, that our fixed charges, based on our gross earning power, are too high.

Mr. NICHOLSON: What sort of percentage should you have? What percentage reduction should you have?

Mr. VAUGHAN: What is our percentage? If we had the average of class one railroads in the United States we would be pretty happy about it, which is 8·8.

Hon. Mr. HANSON: With regard to the question of policy I am not going to ask you—

Mr. MAYBANK: I should like to interject a question if I may. In order to effect that reduction at the present time what number of dollars taken off would

do it? That percentage varies because it is around 8 now, and naturally it varies with your revenue.

Mr. COOPER: On \$300,000,000 of revenue 8·8 would mean fixed charges of \$26,400,000.

Mr. MAYBANK: As against?

Mr. COOPER: In 1943 our interest charges were \$49,000,000.

Mr. VAUGHAN: It would mean nearly cutting our fixed charges in two assuming we had a revenue of \$300,000,000.

Mr. MAYBANK: At the present time it looks like your mortgage is twice as big as it ought to be.

Hon. Mr. HANSON: That raises a question which I was about to proceed with when Mr. Maybank intervened, the policy on the part of the nation itself as to whether that burden should be transferred to the general taxpayers or left where it is, and I do not think we can settle that here.

The CHAIRMAN: Shall we proceed with this report?

Hon. Mr. HANSON: I think I have finished with the general questions that I want to ask.

Mr. VAUGHAN: We have set up our report in a different way this year. You will find on page 4 a statement of our consolidated income accounts. You will remember last year, Mr. Jackman, you asked us if we would set up our figures in a different way. We tried to do that to comply with your suggestion.

Hon. Mr. HANSON: I have forgotten that. What was that brilliant suggestion?

Mr. JACKMAN: A year is a long time.

Mr. VAUGHAN: Last year I think we dealt with the totals.

### RESULT OF 1943 OPERATIONS

#### CONSOLIDATED INCOME ACCOUNT

	1943	1942
Railway Operating Revenues—		
Freight .....	\$324,899,723.64	\$288,462,195.29
Passenger .....	66,891,033.94	48,297,257.89
Mail .....	4,047,893.92	3,967,352.40
Express .....	17,490,783.01	13,502,725.78
Commercial Telegraphs .....	7,103,475.65	5,922,227.20
All other .....	20,183,044.42	15,502,784.84
Total Operating Revenues .....	\$440,615,954.58	\$375,654,543.00
Railway Operating Expenses—		
Maintenance of Way and Structures .....	\$ 67,308,429.46	\$ 57,656,537.63
Maintenance of Depreciation of Equipment .....	72,366,530.73	72,540,489.55
Traffic .....	5,647,080.21	5,392,336.65
Transportation .....	159,477,448.33	139,607,558.82
Miscellaneous Operations .....	5,380,416.75	4,002,852.61
General .....	14,295,764.02	10,798,899.46
Total Operating Expenses .....	\$324,475,669.50	\$288,998,674.72
Net Operating Revenue .....	\$116,140,285.08	\$ 86,655,868.68
Revenue Appropriated for Pension Reserve .....	19,069,000.00	.....
Net Operating Revenue after Appropriation for Pension Reserve .....	\$ 97,071,285.08	\$ 86,655,868.68
Taxes .....	8,390,677.72	6,020,140.74
Equipment Rents—Net Debit .....	6,488,739.04	5,195,838.43
Joint Facility Rents—Net Debit .....	557,930.13	509,667.98
Net Railway Operating Income .....	\$ 81,633,938.19	\$ 74,930,221.53

Other Income—		
Income from Lease of Road and Equipment.....	\$ 56,663.39	\$ 55,002.57
Miscellaneous Rent Income .....	864,379.75	796,904.21
Income from Non-transportation Property .....	452,410.38	351,632.50
Results of Separately Operated Properties .....	3,013,645.15	629,843.17
Hotel Operating Income .....	1,030,033.68	569,723.42
Dividend Income .....	685,755.62	573,070.75
Interest Income .....	3,255,316.57	2,680,317.88
Miscellaneous Income .....	556,359.05	1,295,022.30
<b>Total Other Income .....</b>	<b>\$ 9,914,563.59</b>	<b>\$ 6,951,516.80</b>
Deductions from Income—		
Rent for Leased Roads and Equipment.....	\$ 1,246,514.40	\$ 1,483,345.19
Miscellaneous Rents .....	529,207.28	541,459.33
Miscellaneous Taxes .....	91,427.71	96,057.78
Interest on Unfunded Debt .....	219,512.32	192,017.48
Amortization of Discount on Funded Debt.....	1,060,464.64	1,012,379.87
Miscellaneous Income Charges and Appropriations...	3,068,782.60	2,291,787.85
Profit and Loss Items—Net .....	30,136.27	2,219,230.00
<b>Total Deductions from Income .....</b>	<b>\$ 6,246,045.22</b>	<b>\$ 7,836,277.50</b>
<b>Net Income Available for Payment of Interest...</b>	<b>\$ 85,302,456.56</b>	<b>\$ 74,045,460.83</b>
Interest on Funded Debt—Public.....	30,998,196.32	34,949,557.92
Interest on Government Loans .....	18,664,848.01	14,032,634.59
<b>CASH SURPLUS .....</b>	<b>\$ 35,639,412.23</b>	<b>\$ 25,063,268.32</b>

I will give you the totals. The first one is railway operating revenues, this year \$440,000,000 against \$375,000,000 last year; total operating expenses, \$324,000,000 this year as against \$288,000,000 last year; net operating revenue \$116,000,000 this year as against \$86,000,000 last year. This year revenue appropriated for pension reserve is \$19,000,000.

Hon. Mr. HANSON: Could we pause there and ask questions about that because that seems to me to be a new item.

Mr. VAUGHAN: Yes.

Mr. HANSON: I should like to have an explanation of why it is set up. I am not questioning it, mind you.

Mr. VAUGHAN: Might I suggest, Mr. Hanson, that when we come to that later in the report I will deal with it then?

Hon. Mr. HANSON: Very well.

Mr. VAUGHAN: That leaves net railway operating revenue after appropriation for pension reserve of \$97,000,000 against \$86,000,000 last year. Then we have taxes, equipment rents, joint facility rents, leaving net railway operating income of \$81,600,000 against \$74,900,000 last year. Then we have other income in 1943, \$9,914,000, against \$6,951,000 last year. Then we have various deductions from income of \$6,246,000 in 1943 against \$7,836,000 in 1942 leaving net income available for payment of interest in 1943 of \$85,300,000 against \$74,000,000 last year.

Hon. Mr. HANSON: Where are those figures?

Mr. VAUGHAN: Right on the first page, page 4. Then we have interest on funded debt due the public this year of \$30,900,000 against \$34,900,000 last year; interest on government loans in 1943 of \$18,600,000 against \$14,000,000 last year leaving a cash surplus of \$35,639,000 in 1943 against \$25,063,000 in 1942. That in general outlines the result.

Mr. JACKMAN: What was your budget estimate of that cash surplus, Mr. Vaughan?

Mr. VAUGHAN: It was considerably less than that.

Mr. JACKMAN: I thought you were on the right side.

Mr. MAYBANK: What was your estimate?

Mr. VAUGHAN: It was \$25,000,000.

Mr. MAYBANK: You budgeted last year on the experience you had just gone through to get the same thing over again.

Mr. VAUGHAN: We did not know what this year would bring forth so we budgeted for practically the same amount as we had the previous year.

Mr. JACKMAN: May I ask what the budget is for this year? I suppose we will come to it later.

Mr. VAUGHAN: We will come to it later. We have been conservative again.

Mr. MAYBANK: You are budgeting for \$35,000,000?

Mr. VAUGHAN: We are budgeting for a net of \$30,000,000 for 1944.

Hon. Mr. HANSON: You will probably exceed that by quite a lot.

Mr. VAUGHAN: I hope so. Shall I proceed with the report?

The CHAIRMAN: Yes.

Mr. VAUGHAN:

The Honourable J. E. MICHAUD, K.C., M.P.,  
Minister of Transport,  
Ottawa.

SIR,—In conformity with *The Canadian National-Canadian Pacific Act, 1936*, the board of directors submit the following report of the operations of the Canadian National Railways for the calendar year 1943.

The objective, as in other war years, was to place the full strength of our manpower and facilities behind the war effort of the united nations. To this end all energies have been directed.

The requirements of the armed forces, of industry and agriculture, for transport and other services have been met in all of the nine provinces of the dominion, and in the important sections of the United States in which we operate. These demands were greater than ever before, the traffic moved over the lines of the system, in 1943, being 17·3 per cent greater than in 1942, the previous peak war year, and 44·7 per cent greater than in 1928, the peak peace year. The company also extended its activities as a manufacturer of munitions, ships and naval appliances.

Shortages of labour and materials continued to exist and in the face of a record volume of traffic placed an additional strain upon the railway organization. The management takes pride in the work accomplished by the staff in all branches in the fourth year of the war.

The 1943 operations demonstrated the great earning power of the system, the railway proving again that it can handle an immense volume of business economically as well as expeditiously. After providing from revenue for all operating expenses (including deferred maintenance, depreciation, amortization of defence projects and reserve for inventories) and also a reserve for pension contracts, taxes, interest on funded debt and government loans, the surplus was \$35,639,412. The full income statement for the year appears on the opposite page and shows:

	1943	1942
Operating Revenues. . . . .	\$440,615,954 58	\$375,654,543 40
Operating Expenses. . . . .	324,475,669 50	288,998,674 72
Net Operating Revenue. . . . .	\$116,140,285 08	\$ 86,655,868 68
Revenue Appropriated for Pension Reserve. . . . .	19,069,000 00	.....
Net Operating Revenue after appropriation for Pension Reserve. . . . .	\$ 97,071,285 08	\$ 86,655,868 68
Taxes, Equipment and Joint Facility Rents. . . . .	15,437,346 89	11,725,647 15
Net Railway Operating Income. . . . .	\$ 81,633,938 19	\$ 74,930,221 53
Other Income, less deductions. . . . .	Cr. 3,668,518 37	Dr. 884,760 70
Interest on Funded Debt—Public. . . . .	30,998,196 32	34,949,557 92
Interest on Government Loans. . . . .	18,664,848 01	14,032,634 59
Cash Surplus. . . . .	\$ 35,639,412 23	\$ 25,063,268 32

All the resources of the company, human and material, were utilized to the utmost to handle the immense flow of traffic, freight, passenger and express, that developed as the tempo of war quickened during the year. This volume of business was handled by a staff which numbered only 6.9 per cent more than in 1942; with an increase of 0.2 per cent in the number of locomotives owned, and with increases of only 2.5 per cent and of 2 per cent respectively in the numbers of freight and passenger cars owned by the system. It is interesting to note that the vastly increased war traffic in 1943 was handled with 16.6 per cent fewer locomotives, 15.4 per cent fewer freight cars and 5.1 per cent more passenger cars than was the traffic of 1917, the fourth year of the last World War. However, the ability of the system to absorb increased responsibility is dependent upon its obtaining necessary manpower, equipment and materials.

Shortages of general supplies, rationing and other wartime controls, together with greatly increased demands for accommodation and service, placed heavy burdens upon the management of the company's hotels. The directors, therefore, take special pride in reporting that the high standard of service of the eight all-year-round hotels wholly operated by the company was fully maintained and that, without exception, these hotels reported larger revenues in 1943 than in 1942. All the summer hotels of the company remained closed in 1943.

#### OPERATING REVENUES

Operating revenues were the largest in the company's history. They amounted to \$440,616,000, exceeding by \$64,962,000 or 17.3 per cent, the former high record established in 1942. The increase on the lines in Canada was 17.7 per cent and on the lines in the United States 14 per cent.

The increase of \$36,438,000 or 12 per cent in freight revenue over 1942 is attributable to the fact that in 1943 the system carried more freight than in any other year. There were no increases in rates. To the contrary, the increases in freight rates which became effective March 18, 1942, in the United States, on all commodities except agricultural products, livestock and low grade products of mines, including coal, on which commodities smaller increases were granted, were suspended by the Interstate Commerce Commission, as of May 15, 1943.

Corresponding increases in Canada on international movements, as authorized by the Board of Transport Commissioners, were also suspended on that date.

Diversions of traffic from peace-time routing contributed to the unprecedented volume of freight traffic.

Throughout the year, a number of orders directed towards regulating movements of certain commodities and increasing the lading of all types of equipment, were issued by the transport controller. These, coupled with the co-operation of boards of trade, chambers of commerce, industrial traffic leagues and individual shippers, helped the company to achieve considerable conservation of equipment, a factor of importance in enabling it to handle the greatest tonnage in its history.

Passenger traffic again increased, being more than four times that of 1939. Although, because of the numbers of Service personnel carried at very low fares, the average earnings per passenger mile in 1943 were lower than in 1939, they were slightly higher than in 1942. Passenger revenues in 1943 were \$66,891,000, an increase of \$18,594,000 or 38.5 per cent over 1942.

Increases were reported also in other revenue accounts, such as mail, express, sleeping car, dining car and commercial telegraphs.

Mr. JACKMAN: Do you want to be interrupted or do you want to finish?

Mr. VAUGHAN: Just as you wish.

Hon. Mr. HANSON: I suggest that you go on through it and then come back to the beginning.

#### OPERATING EXPENSES

Operating expenses for the year increased \$35,476,000, or 12.28 per cent, as compared with an increase in operating revenues of 17.29 per cent. Out of every additional \$100 of revenue \$45 was carried to net revenue. The comparable figure on class one railroads of the United States was \$33.80.

The unprecedented volume of traffic, and other circumstances, placed an exceedingly heavy strain upon the entire railway organization. Despite this, the very large movements of war materials and personnel reached their destinations in accordance with schedule arrangements. There was no lowering of the recognized standards of safety.

The relationship between additional revenue and expense can be regarded as satisfactory, especially in view of the fact that the maintenance and operating accounts had to carry a number of exceptionally heavy charges. Where it was found necessary to defer repairs and renewals owing to wartime scarcity of labour and materials, reserves were created through charges to operating expenses. Instead of trying to make the most favourable showing possible, the policy was continued of absorbing, out of wartime revenue, the heavy costs created by wartime conditions, thus avoiding carrying such costs forward to the post-war period. The amount charged to operating expenses for deferred maintenance was \$11,150,000. The amount charged for depreciation on locomotives, freight and passenger-train cars, etc., was \$19,829,000, or approximately \$7½ millions more than would be provided under average traffic conditions. An amount of \$1,005,000 was charged for amortization of war projects, and \$1,309,000 for inventory reserve. The cost-of-living bonus paid on Canadian lines amounted to \$18,918,000. Of this sum \$16,396,000 was charged to operating expenses. Increased wage rates on the United States lines increased operating expenses by \$1,556,000. Additional amounts were provided for pensions, as referred to later in the report.

Operating expenses also absorbed the cost of creosoting ties in replacement. In previous years this cost was charged to investment account. The loss in connection with railway properties retired and not replaced was also charged to operating expenses. In previous years this loss was charged to profit and loss account.

Due to the severe winter conditions the cost of removing snow and ice in 1943 was \$3,758,000 as compared with \$2,220,000 in 1942.



The average number of employees in 1943 was 101,126 and the total payroll was \$195,555,000. In the last pre-war year—1939—the number of employees was 78,129 and the total payroll was \$122 millions.

Since the outbreak of war the price of new steel rail has increased by 18·9 per cent; the price of ties by 37·4 per cent; of fuel by 44·4 per cent and of general railway stores by 14·8 per cent. On the revenue side freight rates and passenger fares have been frozen at their pre-war levels. The picture, therefore, is one of frozen selling prices on the one hand and substantially increased costs on the other, the railway having to depend on its ability to handle the additional volume of traffic on a sharply reduced operating ratio in order to produce the greatly improved returns reported herein. The operating ratio for the year was 73·64 per cent (an all-time record) as compared with 76·93 per cent in 1942 and 81·99 per cent in the peak peace year of 1928.

#### PENSIONS

Previous annual reports have indicated that reserves were not being set up against pensions being paid or conditionally accruing under the 1935 contractual plan and prior non-contractual plans. Heretofore the practice has been to charge currently to operating expenses the actual pension payments made at the expense of the company. Advantage has been taken of the opportunity afforded by the abnormally high revenues of 1943, to put the accounting for pension contracts issued under the 1935 contractual plan on a fund reserve basis. The reserve, which at December 31, 1943, amounted to \$21,607,000, is invested in dominion government securities. Of the proportion of the reserve payable at the expense of the company, \$19,069,000 pertains to the period prior to 1943 and for that reason has been separated from the normal operating expenses for the year. With respect to pensions under prior non-contractual plans, the practice will be continued of charging currently to operating expenses the actual pension payments made at the expense of the company.

The pension contract fund above referred to is separate from the annuity trust fund in which are carried pension contributions (and interest thereon compounded) made by employees who are still in active employment. This latter fund, of which the company is trustee, is not an asset of the company and therefore is not included in its balance sheet. The amount of the annuity trust fund at December 31, 1943, was \$15,903,636, also invested in dominion or dominion-guaranteed securities.

#### SURPLUS FOR THE YEAR

After deducting the appropriation of \$19,069,000 above referred to from the net operating revenue of \$116,140,000, there remained a balance of \$97,071,000. The income statement shows the various accounts which must then be provided for, consisting of taxes, equipment and joint facility rents \$15,437,000; various income credits and debits \$3,668,000; interest on funded debt held by the public \$30,998,000; and interest on government loans \$18,664,000. When these are deducted, there is left a net surplus of \$35,639,000, compared with a net surplus of \$25,063,000 in 1942.

#### CAPITAL EXPENDITURE ACCOUNT

The capital expenditures during the year amounted to \$23,333,089, details of which are given on page 22. Of the total expenditure \$19,148,543 was for new equipment, of which 28 Northern type locomotives, 2,238 box cars, 237 gondola cars, 250 hopper cars, 100 refrigerator cars, and 50 box-baggage cars were acquired under hire-purchase agreements with the dominion government.

## FINANCE

The total funded debt outstanding was reduced during the year by \$64,983,601 and now stands at \$744,232,472 as shown on the balance sheet and, in detail, on page 23 and 24. There were no new issues. The retirements were as under:

2% 7-year guaranteed bonds, matured February 15, 1943....	\$55,000,000 00
Various securities repatriated under the arrangements referred to in the 1942 Annual Report—par value.....	2,229,055 80
4½% Canadian Northern Western First Mortgage Debenture Stock and Bonds, matured October 22, 1943.....	1,728,735 60
2% 1927 Guaranteed Debenture Stock retired.....	218,810 19
Equipment Trust annual principal payments.....	5,870,000 00
	<hr/>
	\$64,983,601 59

The total of government loans outstanding was increased during the year by \$34,467,304 and now stands at \$537,323,765 as shown on the balance Sheet and, in detail, on page 24.

*Additions*

Balance of 1942 capital requirements received January-March 1943 .....	\$ 4,878,863 24
Loans to retire 2% 7-Year Bonds at par, and various securities repatriated at market value.....	57,119,333 89
Loans under Order in Council P.C. 1-9007, 1942.....	578,000 00
Loans to acquire Atlantic and St. Lawrence Railroad Company shares under repatriation arrangements....	2,748,758 47
Loans under Equipment Hire-Purchase Agreement 1941....	11,426,281 48
Loans under Equipment Hire-Purchase Agreement 1943....	5,671,111 11
	<hr/>
	\$82,422,348 19

*Retirements*

Loans repaid out of 1942 surplus earnings.....	\$15,063,268 32
Loans repaid out of 1943 surplus earnings.....	30,000,000 00
Equipment Hire-Purchase annual principal payments....	2,891,775 68
	<hr/>
	\$47,955,044 00
	<hr/>
Net Increase.....	\$34,467,304 19

The outstanding government loans, \$537,323,765, have been utilized for the following purposes:

Repatriation of securities having a par value of \$408,009,463 31 acquired at a cost to the company of.....	\$388,757,134 77
Redemption of matured securities, under the 1938 Refunding Act .....	94,107,807 96
Purchase of new rolling stock under hire-purchase agreements between the Government and the company.....	40,551,822 63
Additional working capital necessitated by wartime conditions	13,906,999 71
	<hr/>
	\$537,323,765 07

Interest on all these loans is being paid out of income, the total for the year being \$18,664,848.

Measures taken during the year for the more complete consolidation of the corporate structure of the System included (a) the acquisition of control through ownership of the capital stock of the Atlantic and St. Lawrence Railroad Company (b) transfer to that company of the properties of the New England Elevator Company and the Portland Elevator Company (c) transfer to the Grand Trunk Western Railroad Company of the railway properties of the Cincinnati, Saginaw and Mackinaw Rail Road Company (d) transfer to the Canadian National Railway Company of the railway properties of The Toronto Belt Line Railway Company and of The Irondale Brancroft and Ottawa Railway Company. These are transactions of an inter-corporate nature and do not change the operated mileage of the system.

### CENTRAL STATION, MONTREAL

The company opened its new central station in Montreal in July providing that city with the largest and most modern passenger station in Canada. After further necessary steps have been taken, it will make possible the long-sought consolidation of the company's passenger train services in the metropolitan area. It also improved facilities for the handling of express, baggage and mail, and greatly assisted in the solution of the grade crossing situation in the heart of the city. It paves the way for a rearrangement of freight handling facilities on the Island of Montreal with resulting benefit to the commerce of the nation. As the central station has been designed to support large structures on the overhead rights surrounding it for several blocks, its completion presents an opportunity for a business and civic development of magnitude and beauty in the centre of Montreal.

### LINE CONSTRUCTION

Tenders have been called for the construction of a new line from Eastern Junction to Bout de L'Ile on the Island of Montreal.

This line forms part of the broad plan for the solution of the grade crossing situation on the Island of Montreal, under orders of the Board of Transport Commissioners. Its construction was approved by parliament in 1931 and sufficient funds were voted for the purpose. However, circumstances intervened and apart from the acquisition of nearly all the land required for the right-of-way, no further expenditures were made. Wartime traffic having thrown an exceptionally heavy burden upon the facilities on the Island of Montreal, the construction of this line at the earliest possible moment became imperative and authority was therefore sought by order in council under the War Measures Act to proceed immediately with its construction.

It will improve the service given to industries along the company's lines in the eastern and western sections of the Island; will open new industrial sites to development; make possible the residential development of a very large area in the northeast section of the Island, and will further consolidate the passenger services entering the city by giving passenger trains from Chicoutimi, Lake St. John and other north shore points direct access to the central station. It will be of direct economic value to the railway and is a wartime necessity because it will shorten by 76 miles the distance now covered by freight trains between Longue Pointe and Turcot Yard, thus speeding traffic movements and making possible a material saving in operating expenses.

It will also make possible the abandonment of 32 miles of track on the Montfort-Joliette line, which was authorized by the Board of Transport Commissioners in 1940; an abandonment which will result in the recovery of 6,200 tons of steel, as compared with the 6,000 tons needed to build the new line.

The cost of construction of this new line, which is about 14 miles in length, is estimated at \$2,870,000.

Hon. Mr. HANSON: Does that include right-of-way?

Mr. VAUGHAN: Yes. Continuing:

#### LINE ABANDONMENTS

An application was made to the Board of Transport Commissioners, in co-operation with the Canadian Pacific Railway, for approval of the abandonment of 37.9 miles of line between Arnprior and Eganville, Ont. The hearing is pending.

#### STEEP ROCK DEVELOPMENT

To facilitate development of the hematite iron ore deposits at Steep Rock Lake, Ontario, the company, as agent for the Government, is arranging for the construction and operation of a spur to the Steep Rock property from a point on the Canadian National line near Atikokan, and for the construction and operation of an ore dock at Port Arthur. It is anticipated that shipments of ore will start in the latter part of 1944.

#### CANNAR OILS LIMITED

Cannar Oils Limited, wholly-owned subsidiary of the company, which embarked upon a program of drilling 50 wells in the Vermilion field in Alberta, had 12 wells in production by December 31, 1943, with 4 additionnel wells awaiting installation of pumps and servicing. This program was undertaken solely as a measure of protection against loss of supplies of fuel oil due to enemy action.

#### VICTORY LOAN CAMPAIGNS

Large purchases of bonds were made by Canadian National personnel in the two victory loan campaigns conducted during the year. In the fourth victory loan campaign in April, 68,744 employees subscribed \$6,825,000 and in the fifth campaign in October, 80,361 employees invested \$8,599,600 in victory loan bonds. The cumulative total of employees' purchases in these two campaigns, therefore, was \$15,424,600. Of this total the employees of Trans-Canada Air Lines subscribed \$302,550 and those of National Railways Munitions, Limited \$305,800. Both campaigns were conducted under the direction of an efficient and aggressive canvassing organization set up within the system.

Employees invested a further \$1,917,894 in war savings certificates during the year through a payroll deduction plan.

In addition to individual purchases by employees, the company invested a combined total of \$29,927,050 in fourth and fifth victory loan bonds for account of reserves and other funds, such as maintenance, pension annuity trust fund, pension contract fund, insurance investment fund, etc.

I may say that we have invested another \$8,500,000 since the first of the year in the fifth victory loan. Continuing:

The employees on lines in the United States subscribed substantial amounts for U.S. war bonds during the year.

#### OTHER WAR ACTIVITIES

The system has been privileged to assist the war effort by other means than the provision of transportation by land, sea and air. The operations of Trans-Canada Air Lines are fully dealt with in its annual report. National Railways Munitions, Limited has continued to manufacture naval gun barrels and field artillery carriages at Point St. Charles. In its Pacific Coast shipyards, the company has met its schedules for the construction and repair of naval and cargo vessels. The Fort Rouge Shops have engaged successfully in the manufacture of certain types of naval mountings. A number of hospital cars, which

the company's medical department helped to design, have already been usefully employed. Canadian National ships distinguished themselves in war service on the high seas, among them the "Lady Nelson," formerly flagship of the Canadian National West Indies fleet, and now a hospital ship, and H.M.C.S. "Prince Robert," which prior to becoming an important member of Canada's fighting navy was in the company's Vancouver-Alaska service.

The company was honoured in being selected to provide extensive train and other services for Prime Minister Churchill, President Roosevelt and Madam Chiang Kai-shek during their visits to Canada in 1943, and also for a long list of other men and women prominently engaged in the war effort of the United Nations.

The management and staff are justly proud of the company's honour roll. A number of employees have already laid down their lives in the service of their country and to their families deepest sympathy is expressed.

His Majesty the King has been pleased to decorate a number of Canadian National men in the armed forces and merchant navy, and honours also have been bestowed upon some civilian members of the staff for outstanding work in carrying out their railway duties.

#### POST-WAR PERIOD

The post-war period will bring many problems. It would be unsafe to predict that the present high volume of traffic will continue; competition will undoubtedly be accentuated and the railway industry will have to fight hard to earn its fair share of traffic against the competition of water, highway and air transport.

Changing conditions will call for new methods of railway operation and new types of service and there must needs be a continuing search for improvement in all aspects of the railway industry. In view of this, the company has in hand a program of research. This program, in addition to considering ways and means of improving service and efficiency of operation, also encompasses the problems of post-war reconstruction and rehabilitation.

#### GENERAL

The traditional harmonious relations between management and employees were maintained throughout the year.

The officers and employees in all departments of the system have worked hard and loyally to cope with increased responsibilities arising out of the war, and the directors record their appreciation and thanks. Appreciation also is expressed to shippers and the travelling public alike for their co-operation in and sympathetic understanding of difficult operating conditions caused by the war.

Hon. Mr. HANSON: In connection with the paragraph entitled "Post-War Period" it would be interesting if you would produce at a later date your proposals for reconstruction.

Mr. VAUGHAN: You have in mind the brief we submitted to the Turgeon committee?

Hon. Mr. HANSON: Yes. We ought to discuss what you have in mind when you reach that spot.

Mr. VAUGHAN: I may say that presentation is a public document.

Mr. HANSON (*Skeena*): Was that brief incorporated in last year's report?

Mr. VAUGHAN: No, we appeared before that committee in 1943, and this brief was incorporated in this document issued by the committee. All you need to do is to have the report incorporated in these proceedings.

Hon. Mr. MICHAUD: You can get the report of that committee from the distribution office.

Mr. VAUGHAN: This is the minutes of evidence, No. 25, of the special committee on Reconstruction and Re-Establishment, dated Thursday, July 8, 1943.

Hon. Mr. HANSON: Yes, that is what I had in mind. Give me a copy.

Mr. VAUGHAN: Copies of that can be obtained here.

The CHAIRMAN: Are there any comments gentlemen?

Mr. JACKMAN: In the fifth paragraph of your opening remarks you say, "after providing from revenue for all operating expenses, including deferred maintenance, depreciation, amortization of defence projects and reserves for inventories, and also a reserve for pension contracts..." Is depreciation at the same rate as last year or will there be changes in the method?

Mr. VAUGHAN: Last year we applied some accelerated depreciation and we did the same this year. That is on top of our regular depreciation rate which was established some years ago.

Hon. Mr. HANSON: You have not any control over the income tax people with regard to this question.

Mr. VAUGHAN: Fortunately we have not.

Hon. Mr. HANSON: I suppose you know that there is a movement on foot with respect to newsprint to cut down the rates of depreciation? Have you heard that? The powers that be have started a movement—I will put it that way—or are threatening a movement to cut down depreciation in the newsprint industry, all of which means more taxes.

Mr. VAUGHAN: Our situation is, as I have said before, that while we do not pay income tax we pay more ordinary taxes, of course, in Canada than anyone else, and we do pay back to the government everything we earn—everything we have is theirs.

Hon. Mr. HANSON: That is the answer you make, and that is the only answer, that they take all you have in the end, although you do not pay these taxes. That is one point we disagree on and we agree to disagree on it, whether you should pay taxes or not.

Mr. JACKMAN: The question I asked is whether there has been any change in the principles or methods of applying depreciation.

Mr. COOPER: No change has been made in the methods.

Mr. JACKMAN: Or the rates?

Mr. COOPER: Or the rates.

Mr. JACKMAN: How did you make up your deferred maintenance this year—the same as last year on the basis of itemizing all the things that you would not need to do, like painting stations, and getting the figure—I think it comes out to an even figure of \$3,000,000?

Mr. WALTON: The same method was applied as in previous years by securing information from the officers in charge and ascertaining what work was necessarily deferred because of a shortage of labour or material or both, and in that way we reach these figures.

Hon. Mr. HANSON: In the early part of the war was there an effort made to take up some of the deferred maintenance when labour was plentiful?

Mr. WALTON: Yes, we increased our force early to do what we could and within, I think, a couple of weeks after war was declared we placed an order for additional locomotives.

Hon. Mr. HANSON: That is new equipment?

Mr. WALTON: Yes, but it goes into the pool and helps out the general equipment situation.

Hon. Mr. HANSON: There must have been a substantial amount of deferred maintenance during the depression years that you could not possibly do?

Mr. WALTON: There was some, and there was what might be called anticipated requirements, and we did our best while help was available to meet that situation.

Mr. JACKMAN: Is there any change in this reference to inventories over the previous year?

Mr. COOPER: No. There is no change in the method of arriving at the amount.

Mr. HANSON (*Skeena*): In 1932 when my namesake was chairman of this committee there were 32,000 annual passes issued on all the railroads of Canada, and I would like to know how many annual passes are issued by the Canadian National Railways now compared with, say, 1933; could we get that information?

Mr. COOPER: We will have to get it for you.

Hon. Mr. HANSON: I hope you will not make me responsible for the number of passes issued.

Mr. HANSON (*Skeena*): No, I would like to see how the matter worked out.

Mr. VAUGHAN: Would you like to have that on record or do you want it personally?

Mr. HANSON (*Skeena*): I could have it personally.

Hon. Mr. HANSON: Let us say that the number has been substantially cut.

Mr. VAUGHAN: It has been substantially cut. We can only issue transportation in accordance with the orders of the Board of Transport.

Mr. HANSON (*Skeena*): I refer to annual passes given to people apart from railway employees.

Mr. WALTON: It varies. There are extreme peaks such as Christmas and New Years, when the use of passes by employees has been cut off entirely.

Mr. HANSON (*Skeena*): That would be trip passes.

Mr. WALTON: And other passes also.

Hon. Mr. HANSON: But not to Members of Parliament; they are not passes.

Mr. VAUGHAN: They issue their own.

Mr. DONNELLY: With regard to the Cannar Oils Limited, is that a new company you have started or a subsidiary?

Mr. VAUGHAN: That is a company we started at the request of the Oil Controller. There was evidence of there being a shortage of oil in the west to operate our locomotives, and he was of the opinion that we should protect our situation by endeavouring to develop some oil on our own account, and that was the field recommended by government geologists as being the most likely fields to produce a quantity of oil.

Mr. JACKMAN: This was just for your own purposes?

Mr. VAUGHAN: For our own purposes.

Mr. DONNELLY: This was entirely for your own purposes and had nothing to do with oil for the other line?

Mr. VAUGHAN: No.

Mr. McCULLOCH: Did you buy these fields or did you have them on royalty?

Mr. VAUGHAN: We pay royalties.

Hon. Mr. HANSON: On page 13 you state the fact but you have not told us the results; what are the results?

Mr. VAUGHAN: Of the Cannar oil development?

Hon. Mr. HANSON: Yes.

Mr. VAUGHAN: They have not been very satisfactory.

Hon. Mr. HANSON: They have not?

Mr. VAUGHAN: No.

Hon. Mr. HANSON: How much have you spent on this development?

Mr. VAUGHAN:— We have had something in the neighbourhood of 30,000 or 40,000 barrels of oil.

Hon. Mr. HANSON: Wells drilled and twelve in production.

Mr. DONNELLY: Had you many dry holes?

Mr. VAUGHAN: Yes, we have some dry holes.

Hon. Mr. HANSON: Mostly. How much money was spent on the Cannar project?

Mr. VAUGHAN: \$578,000.

Hon. Mr. HANSON: And you got 34,000 barrels valued at how much?

Mr. VAUGHAN: The value of the oil would be, I assume, about \$1.75 a barrel.

Hon. Mr. HANSON: But it has not turned out well. Are you going to go on with it?

Mr. VAUGHAN: We are making a survey now to satisfy ourselves whether it is wise to proceed further or not.

Hon. Mr. HANSON: I suggest that the government ought to reimburse you for that outlay. I do not see why the railroad should take that on.

Mr. VAUGHAN: We hope they will. They would not at the time although we went into the development of these oil wells solely at the request of the government.

Hon. Mr. HANSON: You would never have done it on your own?

Mr. VAUGHAN: No, sir, we would never have done it.

Mr. EMMERSON: Are these shallow wells?

Mr. VAUGHAN: They are shallow wells. They produce oil at from 1,800 to 2,000 feet. The cost of sinking wells is not nearly as high as it is in a field like Turner Valley. The cost of sinking a well was around \$15,000 whereas down in Turner Valley it would cost upwards of \$150,000. But it was, I think, well worth developing these oil fields because it did look at one time as though we might have the greatest difficulty in getting oil, and if there was oil in that field—and it was recommended to us as the most likely field in the west—we wanted to get it because we needed it.

Hon. Mr. HANSON: The intention was good but the performance was not so hot.

Mr. VAUGHAN: We had some misgivings about it at the time. It was one of those war measures that might have turned out all right, and may still be better than we expect.

Hon. Mr. HANSON: On principle, why should not the government have done this out of the war appropriation rather than ask the company to do it? They are supplying capital by the hundreds of millions of dollars for war production.

Mr. VAUGHAN: They supplied us with capital for this project but they charged—

Hon. Mr. HANSON: It was debited against you?

Mr. VAUGHAN: Yes, we pay interest on it.

Hon. Mr. HANSON: And they hold it against you until you pay.

Mr. DONNELLY: Where do you get your oil from?

Mr. VAUGHAN: From various places; some from Vancouver and Prince Rupert coming up from California, and we get considerable oil from the refineries in Calgary and from the refineries in Moose Jaw and some from the refinery in Regina.



Hon. Mr. HANSON: I suggest that it is so close to six o'clock that I do not wish to open discussion on any particular point just now, and I ask that we adjourn.

The CHAIRMAN: Before we adjourn I would like to ask the opinion of the committee as to whether we should sit to-night or not.

Mr. McCULLOCH: I move that we sit at 8.30.

Hon. Mr. HANSON: I object to sitting to-night.

(On a showing of hands the committee decided to sit at night.)

The committee adjourned to meet at 8.30 o'clock p.m.

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### EVENING SESSION

The committee resumed at 8.30 o'clock p.m.

The CHAIRMAN: Before we start in to-night I should like to suggest that the committee appoint a vice-chairman. It will be necessary for me to leave for an hour to-night and vacate the chair. I am putting it up to the committee to appoint their own chairman.

Mr. McCULLOCH: I would make a motion that Dr. Donnelly be appointed.

Mr. EMMERSON: I second that.

The CHAIRMAN: All in favour?

(Motion agreed to.)

The CHAIRMAN: I have before me a statement here from the Deputy Minister, Mr. Edwards, containing four items. I do not know whether it is the wish of the committee that they be tabled or whether you would like to have them go into the proceedings.

Enclosed please find the following documents required to complete the evidence taken by the above committee considering the Trans-Canada Air Lines annual report for 1943: P.C. 6255 dated August 6, 1943, naming Winnipeg, Saskatoon, Edmonton under the Transport Act, and four other such items. What is the wish of the committee?

Mr. DONNELLY: Are they all Orders in Council?

Hon. Mr. MICHAUD: Yes.

Mr. DONNELLY: I move that they be filed as exhibits.

Mr. McCULLOCH: I will second that.

The CHAIRMAN: All in favour?

(Motion agreed to.)

The CHAIRMAN: We shall proceed with the Canadian National report. We have finished with the president's report so far as the printed section is concerned. Are there any questions?

Mr. EMMERSON: On page 10, capital expenditure account, there is just one question. "Of the total expenditure \$19,148,543 was for new equipment, of which twenty-eight northern type locomotives"—were those delivered in 1933?

Mr. VAUGHAN: Twenty-eight of those were delivered in 1943.

Mr. EMMERSON: Can you give the disposition of those locomotives? What became of them?

Mr. VAUGHAN: They would go into the pool with all the other locomotives. They would not be assigned to any—

Mr. EMMERSON: Would not some be assigned to certain regions?

Mr. VAUGHAN: Yes.

Mr. EMMERSON: They would be delivered to certain regions.

Mr. WALTON: Some have actually been working between Montreal and Toronto and some have been on the passenger trains to the maritimes.

Mr. EMMERSON: What number is that engine?

Mr. WALTON: They are in the 6200 series.

Mr. EMMERSON: Some have gone to the Atlantic region?

Mr. WALTON: Some have been used in passenger service; I cannot tell you just what number but a number of them have been used in that service.

Mr. EMMERSON: They have been used but are they in that region now?

Mr. WALTON: I do not think they are at the moment; they are a duplication of the higher number 6100s, so they are both of the same class.

Mr. EMMERSON: But there are none of that class in the region at the present time?

Mr. WALTON: No.

Mr. DONNELLY: Your box cars were steel cars?

Mr. VAUGHAN: Yes.

Mr. DONNELLY: Larger ones than before?

Mr. VAUGHAN: No, in the last three years they have all been of the forty-ton capacity.

Mr. McCULLOCH: What proportion of those box cars went to the Trenton plant?

Mr. VAUGHAN: I do not remember offhand. They got a very good share of them. They were quite satisfied with what they got.

Mr. McCULLOCH: Yes, I understand.

Mr. HANSON (*Skeena*): Were all those cars built in Canada or some on the American side?

Mr. VAUGHAN: All our freight cars are built in Canada. All our locomotives are built in Canada.

Mr. HANSON (*Skeena*): Refrigerator cars, too?

Mr. VAUGHAN: Yes, they are built in our own shops at Winnipeg.

Mr. McCULLOCH: Did you find much trouble in getting steel to build these cars?

Mr. VAUGHAN: We did have considerable trouble but eventually we got the priorities all right.

Mr. McCULLOCH: I understand there was one time you were thinking of building some wooden cars?

Mr. VAUGHAN: There was some disposition to try and have us substitute wood for steel in some of these cars, but when we pointed out that in the old type box car there was as much steel required for channels and angles as in the new type box car they decided it would be better to let us go ahead and build the modern type of box car.

The CHAIRMAN: I hope I am not telling tales out of school but I have heard it said by your officials in Transcona there was no type of car or locomotive they could not build there.

Mr. McCULLOCH: You mean at Trenton, Mr. Chairman.

The CHAIRMAN: I mean at Transcona.

Hon. Mr. MICHAUD: Transcona and Trenton are keen competitors.

Mr. EMMERSON: On pages 11 and 12 you speak of the central station in Montreal?

Mr. VAUGHAN: Yes.

Mr. EMMERSON: Why is it that all passenger trains in and out of Montreal do not go into the central station? That is one of the advantages of a central station which has often been mentioned as doing away with the level crossing difficulty, but you are using Bonaventure?

Mr. VAUGHAN: All trains go into the central station from the west, from the east and from the south except suburban trains which we still run into the old Bonaventure station.

Mr. EMMERSON: Then you are not going to get rid of the old level crossing difficulty?

Mr. VAUGHAN: We do not expect that these suburban trains will run into that old station forever. They are running there now as a matter of convenience during the war.

Mr. HANSON (*Skeena*): What was spent on that Montreal station during 1943?

Mr. VAUGHAN: The net amount spent on the terminal in 1943 was \$258,454.

Mr. HANSON (*Skeena*): What was the total up to 1943?

Mr. VAUGHAN: Do you want to get the total right from the beginning including all the property?

Mr. HANSON (*Skeena*): Yes, we had it last year.

Mr. VAUGHAN: The total amount spent to the end of 1943 was \$27,518,000.

Mr. HANSON (*Skeena*): What is your estimate as to any further expenditure?

Mr. VAUGHAN: We have an amount next year in the budget of \$313,000. That is all we expect to spend in 1944. What we will do in the future we are unable to say now.

Mr. HANSON (*Skeena*): There is no suggestion of any further construction in the future yet?

Mr. VAUGHAN: Not at the moment, no.

Mr. McCULLOCH: I see you have made a good move in so far as drawing rooms and berths are concerned. You cannot order a berth now two weeks ahead and have it held. You have got to pay for it within twenty-four hours?

Mr. VAUGHAN: Yes.

Mr. McCULLOCH: I think that is a splendid move.

Mr. ROEBUCK: It would be a better move if they would sell reserved seats on the trains running out of Ottawa on Friday afternoon.

Mr. DONNELLY: Is it your intention to bring the line that runs from eastern St. Catharine out to Chicoutimi into the main station some time?

Mr. VAUGHAN: It is referred to in this report, as the Bout de l'Île line. That will bring trains from Quebec, Shawinigan Falls, Grand Mere, Chicoutimi, Arvida, Noranda and all that territory into the new station.

Hon. Mr. MICHAUD: And the transcontinental as well.

Mr. DUROCHER: How does that question stand now as to this new line? Are there any new developments?

Mr. VAUGHAN: We have let the contract and we are starting on it.

Mr. DUROCHER: The contract has been let?

Mr. VAUGHAN: Yes.

Mr. DUROCHER: Are there any arrangements made with city of Montreal with reference to the level crossings and everything else?

Hon. Mr. MICHAUD: The city of Montreal has approved of the plans.

Mr. VAUGHAN: It has been approved by all the interests concerned.

Mr. DUROCHER: Except some individuals.

Mr. HANSON (*Skeena*): What is the estimate in connection with this Steep Rock development as to the construction of that road? How many miles does it cover?

Mr. VAUGHAN: The government is assuming the expense of the cost of that siding and the cost of the ore dock. The estimated cost of the whole thing, the siding—that is the spur from our line into their mine—plus the cost of building the dock at Port Arthur, was about \$2,500,000.

Mr. HANSON (*Skeena*): What is the distance of the road?

Mr. WALTON: About four miles.

Mr. VAUGHAN: It is between four and five miles. The cost of the spur itself will probably be in the neighbourhood of \$400,000.

Mr. HANSON (*Skeena*): Has that contract commenced?

Mr. VAUGHAN: The work has not actually commenced. The contractor is getting his plant ready. The contract was let some time ago. As soon as the weather permits he will get busy on it.

Mr. JACKMAN: Track laying costs a great deal of money from what you have said about the cost of the spur at Steep Rock, and I notice also fourteen miles in Montreal, is it?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: \$2,870,000; that is \$205,000 per mile.

Mr. VAUGHAN: There are a lot of crossings there, a lot of subways and crossings.

Mr. DONNELLY: A lot of the cost at Steep Rock will be absorbed in the pier, will it not?

Mr. VAUGHAN: There will be over \$2,000,000 of the \$2,500,000 absorbed in the cost of the pier and the approaches.

Mr. JACKMAN: The railway company is not under any obligations at all in connection with Steep Rock? It is entirely a government matter, is it?

Mr. VAUGHAN: Exactly.

Mr. DONNELLY: Are they producing ore at Steep Rock now?

Mr. VAUGHAN: They do not expect to be producing ore until August. They assure us they will ship at least 500,000 tons of ore this fall before navigation closes.

Mr. JACKMAN: What is the ordinary cost of laying a mile of track where you have not got unusual difficulties or expense?

Mr. VAUGHAN: It depends entirely on the terrain. If you are building on the prairie your cost is very much less than if you are building through rock. Then you have a very expensive proposition. It is impossible to lay down a cost for a given mile of track without knowing the territory where the track is going to be laid.

Mr. WALTON: There is considerable rock work at Steep Rock?

Mr. VAUGHAN: There is a lot of rock work, a great deal of blasting.

Mr. JACKMAN: It works out at about how much a mile, roughly?

Mr. VAUGHAN: I think the actual contract worked out somewhere around \$75,000 a mile.

Mr. JACKMAN: That is for a double track?

Mr. WALTON: No, a single track line. I do not think I have the figure here for the spur.

Mr. VAUGHAN: We called for competitive tenders on that work, and there was a big difference in the tenders. The contract was let to the lowest tenderer who is a responsible man.

Mr. HANSON (*Skeena*): I think, Mr. Chairman, that for future reference we should have the suggestions by the railway as to the post-war period. It is neither adopted or accepted but I think for future committees I should like to see that incorporated in our minutes. We have other committees where there are suggestions from chambers of commerce, suggestions from farmers' institutes incorporated in the minutes. I cannot see why we should not have the suggestion from the C.N.R. incorporated in our minutes.

Mr. VAUGHAN: I think that was arranged to be done.

The CHAIRMAN: I did not get what Mr. Hanson said.

Mr. VAUGHAN: That is the report we gave to the Turgeon committee which we had here this afternoon. Mr. Hanson suggests that it be incorporated in the minutes of this meeting.

Hon. Mr. MICHAUD: If you want to have it incorporated in the minutes someone should make a suggestion or a motion.

The CHAIRMAN: It is being printed and distributed to the members.

Mr. HANSON (*Skeena*): I know, but you have so many of these publications in different committees I think it would be better if we had it in our minutes.

The CHAIRMAN: Then move that if you want it in the minutes.

Mr. HANSON (*Skeena*): If I am in order I move that be incorporated in our minutes.

The CHAIRMAN: All in favour?

Mr. JACKMAN: Mr. Chairman, before we take a vote on it I am entirely in sympathy with what Mr. Hanson says in regard to having it available, but after all I think we either have it or can get it very readily in the minutes of the Social Security or Reconstruction and Rehabilitation Committees. I think this committee should have some respect for the paper shortage and general economy. How many pages is the document? It is quite a large one, is it not?

Mr. HANSON (*Skeena*): All we are printing is 700 copies.

Mr. JACKMAN: You have got a copy already.

Mr. McCULLOCH: We could take one and put it right in our book.

The CHAIRMAN: They say it is about fifty pages. It would be quite an expense.

Mr. DONNELLY: Yes. It is quite a big affair.

Hon.\*Mr. MICHAUD: It is twenty-three pages.

Mr. McCULLOCH: Each member could get a copy and put it in his report.

Hon. Mr. MICHAUD: Yes. Each member could get a copy.

The CHAIRMAN: Will somebody move that?

Hon. Mr. MICHAUD: It is No. 25 of the minutes of proceedings and evidence of the reconstruction and re-establishment special committee.

Mr. DONNELLY: I would not have it five years from now, anyway.

The CHAIRMAN: Gentlemen, the clerk says that, if it will satisfy the committee, he will get each member one of these booklets right away. That would perhaps obviate a good deal of expense.

Mr. DONNELLY: Yes.

The CHAIRMAN: Otherwise I will put Mr. Hanson's motion. I do not think we need to conflict on the motion. What is your wish, gentlemen? Do you wish that we get this booklet or do you wish that we have it printed?

Mr. JACKMAN: The booklet.

Mr. DONNELLY: Yes.

The CHAIRMAN: All in favour of obtaining the booklet? Against? I am afraid the booklet has the day. You will get copies of it for the committee?

The CLERK: Yes.

Mr. JACKMAN: Where are you, Mr. Chairman?

The CHAIRMAN: Just deliberating on this report; a free for all deliberation. Mr. Donnelly, will you kindly take the chair? (Mr. Donnelly, the vice-chairman, took the chair).

Mr. JACKMAN: In connection with the post war period, Mr. Vaughan, what provision have you made for reinstating your own men who have enlisted or been called up? Have they been promised their jobs back?

Mr. VAUGHAN: Yes. They have been promised that when they come home they will be given equally as good a job as they had when they left.

Mr. JACKMAN: If they can handle it?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: What do you do in regard to any deficiency between the pay they receive in the armed services and the pay they were formerly getting with the railway?

Mr. VAUGHAN: We do not do anything there, but we protect their pension rights; during the period they are away their pension is still accruing on the basis of their salary when they left.

Mr. McCULLOCH: How many men have left your employ to go into the army?

Mr. VAUGHAN: I would say we have probably not far off 20,000 in the armed forces.

Mr. ROEBUCK: That is a big loss.

Mr. McCULLOCH: Yes.

Mr. EMMERSON: Mr. Vaughan, may I ask how long a man is required to be in service with the railway before he becomes permanent and can claim, by his employment there, for reinstatement after the war?

Mr. VAUGHAN: Are you referring to the service men?

Mr. EMMERSON: Yes, the men who are in the service, those who left to enlist.

Mr. VAUGHAN: If he is in the service a year, I think.

Mr. WALTON: Of course, seniority has to govern.

Mr. EMMERSON: Quite so.

Mr. WALTON: Because a man enlisted, it does not guarantee him a job unless there is a job for him. He would not have preference over some one senior to him for a job.

Mr. EMMERSON: No. Take, for instance, the case of an apprentice who has served six months of his apprenticeship or a year of his apprenticeship. With that six months service as an apprentice, will he be entitled to employment when he returns, to complete that apprenticeship?

Mr. WALTON: Yes. There is an added provision that if he is in work which is comparable to his apprentice job, he gets an allowance so far as completing his apprenticeship is concerned toward that time. For instance,

we have a number of men who were machinists, apprenticed to the machinist trade, and who went with the navy possibly as artificers, right in work parallel with what they were following. Such a man is allowed time towards the completion of his apprenticeship.

Mr. EMMERSON: He is not allowed all that time, but he is allowed some of it.

Mr. WALTON: There is a proportion—I think up to the last year—that he has to serve after he returns.

Mr. EMMERSON: We will take it he still keeps his place on the seniority list?

Mr. WALTON: Yes.

Mr. EMMERSON: If he has only had six months.

Mr. WALTON: His relative position with the other men on the list remains the same while he is away.

The VICE-CHAIRMAN: Gentlemen, if you are through asking questions, shall we go on with this report?

Mr. JACKMAN: Who determines the seniority, the company or the union, and have you a collective bargaining agreement with all the brotherhoods?

Mr. WALTON: Oh, yes.

Mr. VAUGHAN: We have collective bargaining with I do not remember how many unions—a score or more, maybe. The seniority is determined by the company in co-operation with the union.

Mr. JACKMAN: A man is not losing any accruing seniority as he serves in the forces?

Mr. VAUGHAN: No.

Mr. JACKMAN: He is gaining there.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: All right.

The VICE-CHAIRMAN: Shall we go on to page 16?

Mr. VAUGHAN: Page 16 is the consolidated balance sheet.

Mr. NICHOLSON: Before you leave this other report, I wonder if Mr. Vaughan would make some statement as to the arrangement between the C.N.R. and the Hudson Bay Railway? The Hudson Bay Railway is not covered in this report.

Mr. VAUGHAN: No. We operate the Hudson Bay Railway for the account of the Dominion Government. They get all the revenue and pay all the expenses of the Hudson Bay Railway.

Mr. NICHOLSON: You do not show anything about it.

Mr. VAUGHAN: It is taken out of our accounts.

Mr. NICHOLSON: What would be the procedure to have it taken over as part of the Canadian National Railways?

Mr. JACKMAN: Overcome the objection unanimously.

Hon. Mr. MICHAUD: A bill forced upon the house.

Mr. VAUGHAN: We would object to putting it in our accounts.

Mr. JACKMAN: Do you get a management fee or how do you operate this other company?

Mr. VAUGHAN: Do you recall, Mr. Cooper?

Mr. COOPER: It is on an out-of-pocket cost basis.

Mr. JACKMAN: Out-of-pocket cost basis?

Mr. COOPER: Yes; no management fee.

Mr. NICHOLSON: What is the objection to having it as part of the C.N.R. system, providing you have not the capital debt structure?

Mr. MAYBANK: At the present moment it would be like some of these maritime roads that the maritimers were telling us about.

Mr. VAUGHAN: We think we have enough of those.

Mr. MAYBANK: Lame ducks.

Mr. VAUGHAN: We think we have enough of those lines in our system now that cannot make ends meet, and we do not want any more if we can help it.

Mr. ROEBUCK: Their need is a little more traffic.

Mr. NICHOLSON: You are taking the responsibility for operating this?

Mr. VAUGHAN: Yes.

Mr. NICHOLSON: The reason I raised the question was that I travelled on the line last summer when there were some 70 Americans travelling from the north, and they were all highly trained men who were anxious to get back home as quickly as possible. The staff on the Hudson Bay road co-operated very well in getting them there quickly, but there was a hold-up in The Pas as the result of failure to have the Hudson Bay Terminal make the necessary arrangements with the Dauphin end of it, to have them get out of The Pas as quickly as possible. It occurred to me that if the whole system were under one management there would be advantages to the travelling public.

Mr. VAUGHAN: The manager of the Hudson Bay line is really under the jurisdiction of our vice-president in Winnipeg as far as the operation of the line is concerned.

Mr. NICHOLSON: He runs his own show pretty much, though?

Mr. VAUGHAN: He reports to the vice-president of the Canadian National Railways in Winnipeg. He is under his jurisdiction. There should not be any difficulty of that kind though. There were quite a large number of people going in and out of Churchill, as you know, last year, and sometimes there was not the equipment available to handle them and take them all out when they wanted to go out.

Mr. NICHOLSON: These men were forced to stay over in The Pas, which could have been avoided, I think, if there had been co-operation between the two railways.

Mr. WALTON: Were they moving by special train?

Mr. NICHOLSON: They were on a mixed train coming down, and there was an extra going out of The Pas that very morning, that the Hudson Bay staff was trying to move them out on.

Mr. WALTON: Do you know their ultimate destination?

Mr. NICHOLSON: They were going to the States.

Mr. WALTON: Then possibly they would not have reached their destination any more quickly.

Mr. NICHOLSON: If they had caught that extra at Kamsack, they would have got into Winnipeg in the morning and cleared with the immigration people that day, rather than getting in at night and staying over an extra twenty-four hours. It would have saved them twenty-four hours in Winnipeg.

Mr. VAUGHAN: I suppose they were contractors' men, were they?

Mr. NICHOLSON: Yes.

The VICE CHAIRMAN: Shall we go on with this report now?

Mr. JACKMAN: Mr. Vaughan, on page 8, you mention that "the cost of living bonus paid on Canadian lines amounted to \$18,918,000. Of this sum \$16,396,000 was charged to operating expenses."

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Why not the balance?



Mr. COOPER: The cost of living bonus is distributed in the same way that the payroll is distributed. If the men are engaged on construction work their wages and cost of living bonus would be charged to investment account. Some of it would be charged to hotels, some to subsidiary companies. That is the reason for the difference between the total cost of living bonus and the amount charged to expenses. I can tell you how much was charged to the different accounts, if you wish it.

Mr. JACKMAN: Oh, no. That is all right. I just wanted to know the principle; that is all. In the next paragraph down you say, "The loss in connection with railway properties retired and not replaced was also charged to operating expenses. In previous years this loss was charged to profit and loss account." That is a change in your depreciation policy this year over the other years?

Mr. COOPER: It is a change in accounting practice, yes.

Mr. EMMERSON: What page is that?

Mr. JACKMAN: It is on page 8, just ahead of the chart.

Mr. COOPER: It is in line with the change made in the accounting regulations of the Interstate Commerce Commission.

Mr. JACKMAN: Was that a very substantial amount that you charged there to operations during the year instead of to the accumulative profit and loss account?

Mr. COOPER: You will see the item on page 19 under the heading of "maintenance of way and structures," about halfway down or a little more than halfway down. We have an item there, "road property—retirements, \$2,286,000." There was no corresponding figure last year.

Mr. JACKMAN: Yes, I see. The effect of the change was to increase, or rather to decrease the net or surplus by that amount each year?

Mr. COOPER: No. It does not have any effect on the surplus. It decreased the operating results, but it did not change the net income result. It simply moved from the profit and loss account into the operating expense account.

Mr. JACKMAN: In place of charging \$2,000,000 against your accumulative profit and loss account?

Mr. COOPER: Not the accumulative profit and loss account; the year's profits.

Mr. JACKMAN: It all comes out of the yearly account?

Mr. COOPER: That is right. We have no accumulative deficit or surplus.

Mr. JACKMAN: No. You give it to the government.

Mr. COOPER: That is right.

Mr. JACKMAN: Mr. Hanson had some questions he was asking about these pensions. You have not gone into the reason for setting up this fund of \$19,069,000. That is on page 9 and 10. Was there an obligation owing by the company which had not been reserved for?

Mr. COOPER: That is exactly the situation, Mr. Jackman. As we say in our previous reports, we had to cover the situation by the notation under the contingent liabilities; we stated that we had a number of pension contracts outstanding and we gave the capital value of those contracts; but they were not set up as direct liabilities in the balance sheet, but in 1943 we removed them from the category of contingent liabilities and recognized them as direct liabilities.

Mr. MAYBANK: From now on you figure on putting into that trust fund an appropriate amount of money each year to keep it up?

Mr. COOPER: Yes.

Mr. MAYBANK: Is this the whole of pension liability or only a part of it?

Mr. VAUGHAN: That is those who have already been retired; that sets up a capital fund to take care of all the pension contracts that have been issued to date.

Mr. MAYBANK: Oh yes.

Mr. COOPER: I might add to that that the \$19,000,000 represents the contracts effective up to the end of 1942. The additional contracts issued during 1943 were charged as 1943 operating expenses. The total amount of the contracts issued up to the end of 1943 is in the neighbourhood of \$21,000,000 of which \$19,000,000 relates to the period prior to 1943; so that we set that up as a special item separate from the normal expenses of the year, but the proportion applicable to the year 1943 has been treated as an expense of 1943.

Mr. MAYBANK: Yes, so that you are therefore up-to-date with the outstanding contracts?

Mr. COOPER: Yes sir.

Mr. MAYBANK: You do not figure on putting up a dollar for John Doe's dollar year by year as it is deducted from him? You have never gone into that?

Mr. COOPER: I do not believe we can hope to reach that degree of perfection.

Mr. MAYBANK: The way you handle it then is that when John Doe does retire there is a certain amount of money that should be appropriated to his pension contract and you pay that each year, you set that up then, is that the method?

Mr. COOPER: That is our intention.

Mr. MAYBANK: Yes.

Mr. COOPER: There are many things which can happen to a man who is in the service before he reaches the position where he goes on pension, or the time when he receives a pension contract, but we have reached this stage that when he reaches the retirement age and he receives a contract we set up the liability under that contract.

Mr. JACKMAN: All liabilities on existing contracts have been set up now and you are on a yearly accrual basis.

Mr. VAUGHAN: Except, I think I should say this, for our main pension scheme we have it set up, but we have two other pension schemes; the I.C.R. Provident scheme and the Grand Trunk Pension scheme. We do not issue contracts there. They are independent pension systems closed many years ago but there are still some who have memberships in those funds.

Mr. MAYBANK: You mean that there are still some working?

Mr. VAUGHAN: For instance, the old Grand Trunk superannuation fund closed I suppose 35 years ago but it still has 77 members of that fund on the railway who have not retired yet. They have their own funds which were set up by themselves.

Mr. MAYBANK: Are there also some who are still drawing pensions?

Mr. VAUGHAN: Oh, yes, quite a number.

Mr. MAYBANK: I mean, there are still some alive who have retired?

Mr. VAUGHAN: Yes.

Mr. EMMERSON: Have you a number of men still on the Intercolonial provident fund?

Mr. VAUGHAN: I do not know the number. We could get that for you, Mr. Emmerson. I think we have a number of pensioners but I do not think we have the number in the fund.

Mr. COOPER: The number of pensioners at the end of the year was 2,209.

Mr. EMMERSON: I was wondering about those eligible who would be drawing pensions from the provident fund.

Mr. VAUGHAN: We haven't got that here; what you want to know is the number still in the service who are entitled to pensions in that fund when they reach retiring age?

Mr. EMMERSON: Yes.

Mr. VAUGHAN: There would be approximately 8,000.

Mr. EMMERSON: That is near enough for me.

Mr. JACKMAN: Actuarially there is still some liability if you were to compute everything on the basis of the claims which are likely to come through; there is some liability still remaining on the part of the railway company in regard to pensions for which funds have not yet been set up? I think the step taken last year is entirely in the right direction, and I hope that if there are more liabilities there you will be able to fix it up this year.

Mr. VAUGHAN: We are hoping that the Grand Trunk will have enough money in their own fund to take care of their pensioners and that those under the provident fund will not have to be taken care of by the Canadian National Railways.

Mr. JACKMAN: Is there an actuarial liability; supposing a private company were to assume this would you have to give them quite a bit of money to take over the additional contracts?

Mr. COOPER: If you accept that as a definite liability, yes, I would say so.

Mr. JACKMAN: It is actually a liability?

Mr. COOPER: Yes.

Mr. JACKMAN: Big or small?

Mr. COOPER: I would think it would be a substantial sum.

Mr. JACKMAN: In the nature of \$19,000,000?

Mr. COOPER: I would not like to guess at that, Mr. Jackman. What we are doing is, as stated in the report, that in respect to the non-contractual funds we are meeting the pension costs year by year by charges to expenses. What we have dealt with are the contracts, the full numbers of contracts issued by the company. With respect to the others we are absorbing the expense of the pensions assumable by the company year by year as it is incurred.

Mr. JACKMAN: Would you not prefer to have a fund set up to take care of that, the same as you have done here?

Mr. VAUGHAN: Those funds are in an entirely different position from our main fund. They are old funds that were created a long time ago and were closed some time ago.

Mr. COOPER: The situation in the United States is different. Over there the various railroads are under what is called the United States Railway Retirement Act. In the United States the railways—to begin with the employees—each employee pays a percentage of his wages into this government fund. At the present time it is  $3\frac{1}{4}$  per cent of his wages, up to \$300 a month. That is paid into this government fund. The company puts in an equal amount. Each railway company puts in an equal amount. Out of the United States Railway Retirements Fund the pensioner will receive his pension when he reaches pension status. The railway companies having paid  $3\frac{1}{4}$  per cent of the payroll are through. They have no other liability unless they wish to go beyond the amount of the pension which the government scheme allows to the individual. This government pension limited to \$120 a month. If some of the railways feel that they should do better than that, that is entirely voluntary on their part. Generally, having paid the  $3\frac{1}{4}$  per cent of the payroll the railways have acquitted themselves of all pension liability.

Mr. JACKMAN: Of course, you have to comply with that as far as your American employees are concerned?

Mr. COOPER: Yes.

Mr. MAYBANK: I suppose under that scheme an employee carries his pension rights from one railroad to another?

Mr. COOPER: Yes, that is one of the differences between their scheme and ours.

Mr. MAYBANK: And generally creates a better feeling?

Mr. COOPER: Yes, although sometimes it works in the reverse direction; it does not tend to hold the employee to a particular railway.

Mr. MAYBANK: No.

Mr. COOPER: But generally speaking one of the original purposes of a pension fund was to encourage long service with the particular railway to which the man belonged.

Mr. MAYBANK: From one standpoint that would make him less scared of his boss while from the other it would tend to make him less loyal to the road; according to who happens to make the statement.

Mr. ROEBUCK: But it keeps him loyal to the railways in general.

Mr. NICHOLSON: I would like to ask a question of Mr. Vaughan. Can he tell us how many employees of the railway are serving with the railway corps?

Mr. VAUGHAN: I could not tell you how many are serving with the railway corps as distinct from the army as a whole. We haven't got those figures.

Mr. JACKMAN: Mr. Chairman, I would like to refer to the bottom of page 11, the paragraph next to the bottom: "measures taken during the year for the more complete consolidation of the corporate structure of the system included (a) the acquisition of control through ownership of the capital stock of the Atlantic and St. Lawrence Railroad Company"—and so on. That refers to the steps which were taken to acquire the minority interest in those lines?

Mr. VAUGHAN: That is so.

Mr. COOPER: Mr. Harris, of this committee, rather strongly urged that we take steps to get rid of the minority shareholders in some of the system corporations, and this reports what we have accomplished.

Mr. HARRIS: A little louder, please; Mr. Chairman, we cannot hear what Mr. Cooper is saying.

Mr. COOPER: I just made the statement that last year you had been urging the railroad to take steps to divest the minority shareholders of some of our subsidiary companies of their equities in the Canadian National system in view of the fact that the companies generally were deficit companies; and this paragraph refers to what has been accomplished during the year 1943 in that direction.

Mr. JACKMAN: Just in connection with that Victory Loan campaign; I don't suppose you feel that it is incumbent upon you as a company to subscribe to the loan, as a corporation?

Mr. VAUGHAN: We did subscribe very substantially out of the special funds which we had available. We refer to it on page 13 of our report.

Mr. JACKMAN: Not the corporation itself, you would not think it a part of your business?

Mr. VAUGHAN: Yes, it is right there, we subscribed from company funds the substantial sum of \$29,000,000.

Mr. JACKMAN: Yes. Other companies have to subscribe in addition; you don't have to do that. Most companies have to subscribe whether they want to or not. You don't have to do that.

Mr. VAUGHAN: We had this money available and it seemed the proper place to put it.

Mr. JACKMAN: Yes, for trustee funds.

Mr. McCULLOCH: And you have taken \$8,000,000 additional in that No. 5 Victory Loan?

Mr. VAUGHAN: Yes, we have since the close of the campaign.

Mr. HARRIS: Perhaps the witness would tell us the cost of the acquisition of the control and ownership of these subsidiary companies; just what they had to do in getting that, what did it cost them?

Mr. VAUGHAN: Mr. Cooper, our Comptroller, is here and he can give you all the details of that.

Mr. COOPER: The acquisition of the Atlantic and St. Lawrence Railroad Company began through the repatriation of securities in the United Kingdom.

Mr. HARRIS: Were those securities listed on the market or were they just off the market?

Mr. COOPER: They were on the market almost entirely.

Mr. HARRIS: What were they quoted at?

Mr. COOPER: Pardon?

Mr. HARRIS: Have you got what they were quoted at at the time you took them over?

Mr. COOPER: Yes they were—I do not see the figure—it was about £63 per hundred. At any rate they were vested at the market price as of the date of the vesting order becoming effective.

Mr. HARRIS: Are they entirely bought up now or are there any outstanding shares on the market?

Mr. COOPER: No. There are about 600 shares which have not yet been found.

Mr. HARRIS: Where does that appear on the financial statement?

Mr. COOPER: On page 26 the list of the companies comprising the Canadian National system number three on the list.

Mr. HARRIS: \$246,540?

Mr. COOPER: Worth of stock, yes.

Mr. HARRIS: Is that still owned by the public?

Mr. COOPER: Yes, a few shares have been acquired since the end of the year.

Mr. HARRIS: What was the method of buying in these shares, if and when offered?

Mr. COOPER: We have made an offer to all the holders in the Sterling area to acquire their shares at the vesting price.

Mr. HARRIS: I hope you hold rigidly to the vesting price.

Mr. COOPER: We have not changed the purchase price through the Sterling area.

Mr. HARRIS: They should have taken that price at the time rather than take the enhanced price which might be in the shares now that you have made such a good showing during the current year; it is a matter of a quarter of a million dollars there is it not?

Mr. COOPER: I might say that from the date of the vesting order these shares have been divested of any income which might have been attached to them so that there is every inducement to the present holders to turn them in for cash. We are ready to give them the vesting price as soon as they can pro-

duce their shares. But I think it is recognized that under conditions in the United Kingdom to-day with so many people being in the forces and so much disturbance in London and everything that these securities are very difficult to locate.

Mr. HARRIS: Yes.

Mr. COOPER: I do not think there is any doubt—

Mr. HARRIS: How many years is it since they were first issued?

Mr. COOPER: They were issued about 1853.

Mr. HARRIS: That is eighty years ago.

Mr. COOPER: That is ninety years ago.

Mr. HARRIS: Mr. Chairman, if I am in order may I ask a question with respect to the Canadian Northern Quebec Railway owned by the public who own about one-third of the capital stock issue; what is being done about that?

Mr. VAUGHAN: We are negotiating in connection with the stock of these companies now, and we hope to complete arrangements before very long.

Mr. HARRIS: At what price?

Mr. VAUGHAN: We do not expect to pay anything.

Mr. HARRIS: How is the price \$3,849,200 arrived at and set up in your balance sheet?

Mr. COOPER: That is par value.

Mr. HARRIS: That is the cost price to those who hold stock.

Mr. COOPER: Oh, I do not think so.

Mr. HARRIS: Have you the cost price to those who presently own the stock?

Mr. COOPER: No, I could not answer that.

Mr. HARRIS: What is the origin of the Canadian Northern Quebec Railway outstanding share? You had to have the railway, I imagine; and you found these shares outstanding, owned by the public, did you?

Mr. COOPER: Yes.

Mr. HARRIS: And you put them on the record at par values?

Mr. COOPER: Yes.

Mr. HARRIS: Do your records show what they were worth at the time you put them on your inventory or on your balance sheet?

Mr. COOPER: Any company in which we had a majority control we treated as a system company and we have taken the assets and liabilities of such companies bodily into our consolidated balance sheet, and the outstanding shares which were in the hands of the public have become system stock liabilities at their par value.

Mr. HARRIS: At their par value; that is your determination; but when was the \$3,849,200 taken on? When was the whole \$9,500,000 taken on?

Mr. COOPER: I could not answer that from memory.

Mr. HARRIS: 1923?

Mr. COOPER: They were taken into the consolidated balance sheet of the Canadian National system in 1923.

Mr. HARRIS: What I am getting at is this: when they were taken in it is more than probable that they were certainly not worth \$9,500,000?

Mr. COOPER: I doubt whether they were ever worth their par value.

Mr. HARRIS: When they were taken in no railway stocks anywhere in North America were worth par value. You have not got the date when they were taken in?

Mr. COOPER: No.

Mr. VAUGHAN: I think they acquired those stocks between thirty and forty years ago.

Mr. COOPER: In any event, it is customary to take up the capital stock as far as the issuing company is concerned at its par value.

Mr. HARRIS: That is customary from a controller's standpoint for a book-keeping system; it is customary for a bookkeeper to take it on; and after all it is worth a certain value. Someone, apart from the controller, the book-keeper and the auditor, had some idea of the actual value of the stock?

Mr. COOPER: Our information is that the stocks are worthless. I do not think we would pay anything for those stocks today.

Mr. HARRIS: What are you going to do with this \$3,849,000? Are you going to pay that out?

Mr. COOPER: As the president said, there are some negotiations pending and my own view is that the less we say about it the better.

(Discussion off the record)

Mr. HARRIS: Perhaps you will tell us something about the transfers of the New England Elevator Company and the Grand Trunk Western Railroad Company, and the Cincinnati, Saginaw and Mackinaw Railroad Company, and tell us at the same time where they appear on this balance sheet; and while the witness is making his deposition he might say something which is rather important to those of us who hail from the vanishing city of Toronto with regard to the Toronto Belt Line Railway Company.

Mr. COOPER: With the permission of the committee I would like to read this memorandum:—

“With reference to the Toronto Belt Line Railway Company, the Toronto Belt Line Railway Company owned a short belt line railway in the city of Toronto some portions of which were operated as industrial trackage and some portions of which have been abandoned—

Mr. HARRIS: May I interrupt you there? It is not a short line but a very long line. It encircled the whole city of Toronto originally.

Mr. COOPER: I do not think so; it just ran up the eastern side of the city.

Mr. HARRIS: It originally dated back to 1888 and it was about forty miles long. When it was originated it skirted the whole city of Toronto.

Mr. VAUGHAN: It went to the north of the City across Yonge street and towards Rosedale.

Mr. HARRIS: I am sorry for interrupting, go ahead.

Mr. COOPER: “. . . its capital stock was \$50,000 of which \$33,400 was owned by the Canadian National and \$16,600 was owned by minority interests the owners of which were not known. It had issued \$462,500 of 4 per cent bonds which matured in 1931, all of which were owned by the Canadian National Railway Company.”

Mr. HARRIS: What was the term of those bonds—how many years?

Mr. COOPER: I believe they were about forty year bonds.

Mr. HARRIS: Maturing at 1931; which would bring it to 1891.

Mr. COOPER: All those bonds were owned by the Canadian National Railway Company. On the other hand, the Canadian National owed the Belt Line Company \$52,453 representing the ledger value of property retired, making a net indebtedness of the Belt Line to the Canadian National Railway of \$410,047. In order to dispose of the minority interest the properties of the

Belt Line Company have been sold to the Canadian National Railway for \$410,047 which amount discharges the debt of the Belt Line Company to the Canadian National.

So it leaves the company with no assets and therefore the minority shares have nothing behind them. They have disappeared as far as we are concerned. That is how we are getting rid of these minority shares.

Mr. JACKMAN: You own the physical right of way?

Mr. COOPER: We got the physical assets for the amount of their debt to the Canadian National.

Mr. JACKMAN: What are you going to do with the right of way—anything at all?

Mr. COOPER: The portion which is in use as industrial trackage is to be operated.

Mr. JACKMAN: You have taken up most of the tracks. Was there not an operating condition in the original charter whereby you have to run one train over the tracks at least every so often?

Mr. COOPER: I could not tell you that.

Mr. VAUGHAN: It is a great many years since a regular train was run over those tracks.

Mr. HARRIS: I would like to take a moment of the committee's time to place this observation on record, and it takes us back to 1891. As many of the older members of the committee will know 1891 to 1896 were very very bad days in Canada; in fact during that period the black flag was raised even in the city of Toronto, and this particular project was advanced at that time through property which was not very valuable at that time. Since then, Mr. Chairman,—I am putting this on the record for the purpose of advising the Canadian National system that this property is worth real money now—since then, and particularly in the last decade, the property transversed by this Belt Line railway, the ownership of which is now vested with the Canadian National, has become very very valuable. For example, it transverses property known as Forest Hill Village, the Don Ravine, Moore Park and areas to the west of Toronto which have become very very valuable suburban property—worth many many dollars. If the Canadian National Railway has ownership in a property owned by the old original Toronto Belt Line I would say to the Canadian National Company that the asset is of real value, apart from the fact that presently in certain portions it is serving as sidings to some industrial units—not many—and more particularly the fact that it is very valuable from a residential standpoint; and I am satisfied that if the right of way department are meticulous in handling their equities in this belt line they will not only be able to salvage some of the wreck but they will be able to make some real money for the benefit of the Canadian National Railways. I hope that now that things are booming in the areas which this old original belt line transverses that your right of way department will take advantage of the present situation and dispose of that property as quickly as they possibly can to the benefit of the Canadian National Railways.

Mr. VAUGHAN: Unfortunately we own very little property on either side of the right of way.

Mr. HARRIS: You own the right of way.

Mr. VAUGHAN: Yes, we own the right of way.

Mr. HARRIS: The right of way is not in use, it is not in operation, and properties on either side of it are selling for very high values. Many areas could be built on, so sell it and make some money out of it and turn it in to the railway company.

Mr. VAUGHAN: We will get the most out of it that we can.



Mr. NICHOLSON: In connection with this paragraph with regard to the post war period on page 14—

Mr. JACKMAN: There were some questions which Mr. Harris asked about other companies in the United States—about the New England Elevator.

Mr. VAUGHAN: I think Mr. Cooper said the practice had been exactly the same in all cases.

Mr. HARRIS: Before we are through could we get an answer to the matter of the New England Elevator Company and the Portland Elevator Company and the Cincinnati matter?

Mr. VAUGHAN: Yes, we will give you a report on it.

Mr. COOPER: The two elevator companies owned elevators in Portland, Maine, which, of course, is served by the Atlantic and St. Lawrence Railroad Company. When we had acquired ownership and control of the Atlantic and St. Lawrence corporation, in order to consolidate the various corporate entities we caused the New England Elevator Company and the Portland Elevator Company to sell their assets to the Atlantic and St. Lawrence at the amount at which the properties stood on their books. It is entirely a matter of consolidating three separate companies into one company, the Atlantic and St. Lawrence Railway, with the idea that our whole interest on the line from Island Pond to Portland shall be in the name of the one corporation.

Mr. HARRIS: Perhaps we should have a short statement on the Irondale, Bancroft and Ottawa situation. What number does that bear?

Mr. COOPER: It has disappeared now, Mr. Harris. The Irondale, Bancroft and Ottawa Railway Company owned the railway from York River to Howland, Ontario, a distance of fifty-one miles. Its issued capital stock was \$53,500 of which \$53,000 was owned by the Canadian National and \$500 by minority interests. Its outstanding 5 per cent mortgage bonds of \$450,000, which matured January 1, 1935, were all owned by the Canadian National. The I.B. & O. was also indebted to the Canadian National for \$55,725 for improvements. In order to dispose of the minority interests it was decided to sell the property to the Canadian National Railway Company for \$505,725, sufficient to discharge the indebtedness of the I.B. & O. to the Canadian National. Just as in the case of the Toronto Belt Company we transferred to the Canadian National the physical assets of the Irondale, Bancroft and Ottawa Company and left that company without any assets so the minority shareholders have nothing behind their shares and they have disappeared.

Mr. HARRIS: Is there much freight originating on the I.B. & O.?

M. VAUGHAN: There is not very much.

Mr. HARRIS: I thought there was some mining development up there?

Mr. VAUGHAN: There was a little of lumber.

Mr. HARRIS: Was there not some mining development, feldspar.

Mr. VAUGHAN: There was feldspar up there but it did not amount to very much. The traffic originates from small lumber mills.

Mr. HARRIS: Are the black diamond mines not producing any freight?

Mr. VAUGHAN: There is practically no mining up there to-day. There is some feldspar comes off the Central Ontario railway with which the I.B. & O. connects.

Mr. NICHOLSON: I was going to ask about the section on the post-war period. It has a rather pessimistic note in that second sentence which reads:

It would be unsafe to predict that the present high volume of traffic will continue; competition will undoubtedly be accentuated.

Comparing that statement with some information contained in this brief to the Reconstruction and Re-establishment committee on page 673 I hope that the plans made by the railway call for an extraordinary capital expenditure of around \$100,000,000 a year which would provide direct employment for 15,000,000 man days which would work out at about work for 5,000 per year. Could the president tell us how many you have presently engaged on war work which will stop at the conclusion of the war?

Mr. VAUGHAN: That is very difficult to say how many are engaged in war work and how many engaged on ordinary work.

Mr. NICHOLSON: In your munitions program?

Mr. VAUGHAN: All I can say to you on that is that before the war we had about 77,000 people employed and at the present time we have got about 101,000 people employed.

Mr. NICHOLSON: And you have about 10,000 of your employees have have been guaranteed their jobs when they come back?

Mr. VAUGHAN: More than that, nearly double that number.

Mr. NICHOLSON: 20,000.

Mr. VAUGHAN: Of course, they will replace a lot of men who have been taken on since if we cannot give employment to all of them.

Mr. NICHOLSON: I gather from this brief as a railway you are not in a position to make very extensive plans with a view to guaranteeing employment for the million who are now in war industries and the 800,000 in the services? Your program is going to be determined on whether we are going to have this \$8,000,000,000 national income or not?

Mr. VAUGHAN: I think a lot depends on national income. We will, of course, have a substantial reserve put to one side for deferred maintenance and other things which will enable us to give employment to a substantial number of men.

Mr. NICHOLSON: But 5,000 a year would seem to be the maximum number?

Mr. JACKMAN: 50,000.

Mr. NICHOLSON: Yes, that is right, 50,000 men, but that is on the assumption you would have only \$30,000,000 in self liquidated projects and \$40,000,000 in desirable but economically marginal and \$15,000,000 in desirable but not productive. Roughly one-third of this 50,000 would be doing useful work on the assumption you had an \$8,000,000,000 income?

Mr. VAUGHAN: We were asked what works the railway could undertake which would be useful to the railway provided funds were available, and we gave them the information to the best of our knowledge at that time. A lot depends, of course, upon what funds are available and where they come from. Undoubtedly the railways are one place where substantial sums of money could be spent to good advantage because a railway is never finished. There is always something a railway can do to improve its property to enable it to reduce its operating expenses but which the railway might not do under normal conditions because they could not afford to do it.

Mr. ROEBUCK: Have you any lands still for settlement that are unused?

Mr. VAUGHAN: Yes, we have quite a substantial acreage in the west still available for settlement.

Mr. ROEBUCK: Have you any idea how much?

Mr. VAUGHAN: I do not think we have got it here but I can get it for you. I think it is 700,000 or 800,000 acres.

Mr. ROEBUCK: That is not very much.

Mr. VAUGHAN: A very small quantity compared with what the C.P.R. have.

Mr. ROEBUCK: Is that within a reasonable distance of the railway?

Mr. VAUGHAN: Yes, a good deal of it is. Some of it is good and more of it is not so good. We have a complete statement in our agriculture and land department of every acre of land with its distance from the railway, its characteristics, its suitability for certain classes of work.

The VICE-CHAIRMAN: Gentlemen, shall we go on with this? Page 16, Consolidated balance sheet.

Mr. VAUGHAN: I think before we read the headings of these. The first item is investments, a total of \$1,991,618,000. The next is sinking funds, \$792,000. The third is deposits in lieu of mortgaged property sold, \$4,576,345; deferred maintenance fund, \$22,000,000; investments in affiliated companies, \$38,000,000, other investments, \$827,000; total investments of \$2,059,220,000. The total under current assets is \$129,299,000; deferred assets, a total of \$37,361,320; unadjusted debits, \$10,858,000, making a total of \$2,236,740,108 on the assets side of the balance sheet.

On the liability side there are stocks, \$4,770,000; long-term debts, \$744,000,000; Dominion of Canada, \$554,000,000; current liabilities, \$54,928,000; deferred liabilities, \$30,288,000; unadjusted credits, \$116,129,000. The next item is Dominion of Canada proprietor's equity, a total of \$732,295,000, a grand total under liabilities, equalling assets, of \$2,236,740,000. The certificates of the comptroller and of the government auditors, Messrs. Touche & Company, follow.

Mr. JACKMAN: Under investments, sinking funds composed of systems securities at par and other assets at cost those are, I suppose, in accordance with certain bond indentures, are they?

Mr. COOPER: Yes, there are two issues there, Mr. Jackman. Under the issue of Canadian Northern 6½ per cent bonds we are required to leave on deposit with the trustees in New York \$250,000, and they have the right or duty to acquire bonds with this fund if the bonds should fall below par, but there is not much chance of dominion guaranteed 6½ per cent bonds falling under par so that it is a fixed deposit with the trustees. The other item is in connection with the St. John and Quebec debentures. The trust deed calls for the payment into a sinking fund of a certain amount each year, and the amount in that sinking fund to-day is \$542,000.

Mr. JACKMAN: And these St. John debentures are not guaranteed?

Mr. COOPER: No, they are not guaranteed.

Mr. JACKMAN: As to deferred maintenance fund was there a special item covering that in the operating statement?

Mr. COOPER: Yes. In 1942 we took up by charges to operating expenses \$12,850,000, and in 1943 \$11,150,000, in the two years combined \$24,000,000. You see the reserve on the balance sheet under the heading of unadjusted credits, deferred maintenance reserve, \$24,000,000. At the end of the year we had invested \$22,552,000, and since the turn of the year we have invested the remainder of the \$24,000,000.

The VICE-CHAIRMAN: Any further questions?

Mr. SANDERSON: On page 16, Mr. Chairman, current assets, special deposits, there is \$7,538,398. What is that?

Mr. COOPER: Those are amounts which are placed in special bank accounts for the purpose of paying matured interest. On the other side of the balance sheet under the heading of current liabilities you will find interest matured unpaid, \$7,279,000. Most of that, of course, falls due for payment on January 1, and the asset account to which the hon. member referred is the amount set aside to pay the interest I referred to.

Mr. JACKMAN: You take January 1, 1944, as the maturing coupon?

## CONSOLIDATED BALANCE SHEET

ASSETS		
Investments:		
Road and Equipment Property.....	\$1,922,473,373	98
Improvements on Leased Property.....	2,981,299	66
Miscellaneous Physical Property.....	66,163,602	33
		\$1,991,618,275 87
Sinking Funds:		
System Securities at par .....	\$ 437,751	80
Other Assets at cost.....	354,327	78
		792,079 58
Deposits in lieu of Mortgaged Property Sold:		
System Securities at par.....	\$ 1,966,500	00
Other Assets at cost.....	2,609,845	78
		4,576,345 78
Deferred Maintenance Fund.....		22,552,000 00
Investments in Affiliated Companies.....		38,855,047 36
Other Investments:		
System Securities at par.....	\$ 211,000	00
Other Assets at cost.....	616,053	86
		827,053 86
		\$2,059,220,802 45
Current Assets:		
Cash .....	\$ 15,391,404	37
Special Deposits .....	7,538,398	33
Net Balances Receivable from Agents and Conductors....	17,498,419	75
Miscellaneous Accounts Receivable .....	20,117,599	08
Material and Supplies .....	53,963,978	15
Interest and Dividends Receivable .....	454,876	60
Rents Receivable .....	321,379	70
Other Current Assets .....	14,013,862	48
		129,299,918 46
Deferred Assets:		
Working Fund Advances .....	\$ 250,097	49
Insurance Fund:		
System Securities at par.....	\$ 10,613,062	06
Other Assets at cost .....	1,616,474	35
		12,229,536 41
Pension Contract Fund .....		21,088,000 00
Other Deferred Assets .....		3,793,686 47
		37,361,320 37
Unadjusted Debits:		
Rents paid in Advance .....	\$ 162,052	40
Discount on Funded Debt.....	7,822,564	95
Other Unadjusted Debits .....	2,873,449	81
		10,858,067 16
		\$2,236,740,108 44

AT 31st DECEMBER, 1943

## LIABILITIES

## Stocks:

Capital Stocks of Subsidiary Companies held by Public.....	\$	4,770,140	00
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## Long Term Debt:

## Funded Debt Unmatured:

Held by Public.....	\$	731,004,158	74
Held in Special Funds.....		13,228,313	86
		<u>744,232,472</u>	60

## Dominion of Canada (Accounts treated as assets in Public Accounts of Canada):

Loans .....	\$	537,323,765	07
Canadian Government Railways—Working Capital.....		16,771,980	54
		<u>554,095,745</u>	61

## Current Liabilities:

Traffic and Car-Service Balances—Credit.....	\$	11,319,878	86
Audited Accounts and Wages Payable.....		13,445,232	04
Miscellaneous Accounts Payable .....		5,093,371	32
Interest Matured Unpaid .....		7,279,233	38
Unmatured Interest Accrued .....		6,480,976	02
Unmatured Rents Accrued .....		204,178	12
Accrued Tax Liability .....		4,261,958	82
Other Current Liabilities .....		6,843,540	51
		<u>54,928,419</u>	07

## Deferred Liabilities:

Pension Contract Reserve .....	\$	21,607,000	00
Other Deferred Liabilities .....		8,681,332	64
		<u>30,288,332</u>	64

## Unadjusted Credits:

Insurance Reserve .....	\$	12,229,536	41
Accrued Depreciation—Canadian Lines—Equipment only..		39,327,563	21
Accrued Depreciation—U.S. Lines—Road and Equipment..		19,061,696	72
Deferred Maintenance Reserve .....		24,000,000	00
Other Reserves .....		7,653,648	36
Other Unadjusted Credits .....		13,857,119	27
		<u>116,129,563</u>	97

## Dominion of Canada—Proprietor's Equity—(See Note)

## Represented by:—

1,000,000 shares of no par value capital stock of Canadian National Railway Company .....	\$	18,000,000	00
5,000,000 shares of no par value capital stock of The Canadian National Railways Securities Trust.....		336,680,462	71
Capital Expenditures by Dominion of Canada on Canadian Government Railways .....		377,614,971	84
		<u>732,295,434</u>	55

## Contingent Liabilities:

Major contingent liabilities, as shown on statement attached.

	<u>\$2,236,740,108</u>	44
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NOTE.—The Proprietor's Equity is included in the net debt of Canada and is disclosed in the historical record of Government assistance to railways as shown in the Public Accounts of Canada in accordance with The Canadian National Railways Capital Revision Act, 1937.

T. H. COOPER,

Comptroller.

## CERTIFICATE OF AUDITORS

We have examined the books and records of the companies comprising the Canadian National Railway System for the year ended the 31st December, 1943, and subject to our report to Parliament, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System as at the 31st December, 1943, and that the relative Income Account for the year ended the 31st December, 1943, is correctly stated.

GEORGE A. TOUCHE &amp; CO.,

Chartered Accountants.

10th March, 1944.

Mr. COOPER: Yes.

Mr. JACKMAN: Under deferred assets, insurance fund, other assets at cost, you have \$1,616,474. I think you said last year there were municipal or provincial bonds in that fund. Is that it?

Mr. COOPER: They are government, provincial, and I think there are a few municipal bonds in that.

Mr. JACKMAN: It is not your policy now to buy anything but government or government guaranteed bonds for this fund?

Mr. COOPER: We are not restricted but at the present time I think the only thing we are buying is victory bonds, but we have bought railway bonds, as you see. Railway securities are in at cost to the extent of \$10,000,000. We have bought in our own securities where the market price has been favourable.

The VICE CHAIRMAN: Are there any further questions? Then shall we go on to the next sheet, Dominion of Canada—proprietors' equity account?

DOMINION OF CANADA—PROPRIETOR'S EQUITY ACCOUNT

	Balance at 31st Dec., 1942	Transactions in 1943	Balance at 31st Dec., 1943
Capital Stock of Canadian National Railway Company .....	\$ 18,000,000 00		\$ 18,000,000 00
Capital Stock of The Canadian National Railways Securities Trust.....	298,842,882 17		
Transactions of the Canadian National Railway System during the year 1943:—			
Surplus earnings per the Consolidated Income Account.....		\$ 35,639,412 23	
Capital Gain on repatriation of securities .....		2,430,284 25	
Capital Loss on abandonment of Regina freight line cut-off.....		<u>232,115 94</u>	
		<u>\$ 37,837,580 54</u>	336,680,462 71
Capital Expenditures by Dominion of Canada on Canadian Government Railways .....	377,885,131 95		
Transfers of property to government departments at original cost.....		\$ 270,160 11	377,614,971 84
	<u>\$694,728,014 12</u>	<u>\$ 37,567,420 43</u>	<u>\$732,295,434 55</u>

Mr. VAUGHAN: Referring to the liability side of the balance sheet, on the previous page, it shows a balance at the 31st of December, 1942, of \$694,728,014.12; transactions during the year, \$37,567,420.43; with the total at the end of the year, 31st December, 1943, at \$732,295,434.55.

The VICE-CHAIRMAN: Are there any questions? If not, shall we go on to the next, operating revenues?

Mr. JACKMAN: Is there anything to explain about this proprietor's equity account, in the last item, "transfers of property to government departments at original cost, \$270,160.11 in 1943"?

Mr. COOPER: From time to time property which was under the control of the Department of Railways is transferred to the Department of Public Works or some other government department, and the amount at which it is carried is transferred. In 1943, for instance, there was a wharf at Mulgrave transferred from the railway account to the Department of Public Works. It was in the railway account at \$20,190. I can give you the items, if you like.

Mr. JACKMAN: The government always gives the original cost on these things?

Mr. COOPER: They are not really giving them to us. It is simply that in public accounts you have certain divisions of the assets. Some are under the heading of public works. For instance, post offices, I suppose, are under public works. The Canadian government railway is under the Department of Railways. If public works required a piece of property which is under the control of railways, a transfer has to be made in the public accounts. Public accounts reflect the railways and canals investment and we have to make a corresponding transfer to the one which is made in public accounts. It is simply a transfer of a piece of government property from one department of government to the other department of government at its original cost.

Mr. ROEBUCK: I think John Inglis took over a certain amount of railway property, as you will remember.

Mr. COOPER: We do not transfer from the railway to outside interests.

Mr. ROEBUCK: But this is a government company.

Mr. COOPER: I do not know about John Inglis. We only deal with transfers from one department of government to another department of government.

Mr. VAUGHAN: This refers to the old Canadian Government Railways which are vested in the crown.

Mr. ROEBUCK: Oh, yes.

Mr. COOPER: Is it not clear?

Mr. JACKMAN: You mean with respect only to the railways in the system?

Mr. VAUGHAN: I am talking about the old Intercolonial Railway. It is still a crown company although it is included for operating purposes with the Canadian National Railways.

Mr. JACKMAN: With regard to the case Mr. Roebuck mentioned, the John Inglis plant, which was making Bren machine guns, it is built on, I suppose, a C.N.R. siding and there the property is, I presume, acquired by the crown, the Department of Munitions and Supply or some other department. Do you sell that property from the system to a department of government?

Mr. COOPER: Which is that department?

Mr. JACKMAN: I do not see it here, but Mr. Roebuck mentioned it.

Mr. ROEBUCK: It just struck my mind.

Mr. COOPER: There would not be any Canadian Government Railways property in Toronto. The Canadian Government Railways never ran into Toronto.

Mr. VAUGHAN: That would be the old Grand Trunk.

Mr. JACKMAN: It is in the system.

Mr. COOPER: If the Grand Trunk sold property, or the Canadian National Railways, we would reduce our investment account.

Mr. JACKMAN: You charge it off at the price you charge the outsider?

Mr. COOPER: Yes.

Mr. VAUGHAN: We would get the market price.

Hon. Mr. MICHAUD: Do you want the details of these transfers? There is the Mulgrave wharf transferred to the Department of Public Works, \$20,000; North Sydney, another wharf transferred to the Department of Public Works, \$195,000; Alberton, Prince Edward Island, another wharf transferred to the Department of Public Works, \$10,000; Saint John, New Brunswick, a wharf transferred to the Department of National Defence, \$44,000; and Pictou, Nova Scotia, land transferred to the Department of Munitions and Supply, \$148. There is no cash transaction. It is just property owned by the old Canadian Government Railways or the Old Intercolonial Railway, and those properties are

transferred to the Department of Public Works because they have to look after the upkeep of these properties, and it is their responsibility to keep them up. So that is why they have been transferred.

Mr. JACKMAN: I notice under operating revenues, on page 19 —

The VICE CHAIRMAN: Shall we go on to operating revenues? Are there any questions on operating revenues?

## OPERATING REVENUES

	1943	1942
Freight .....	\$320,758,860 87	\$284,427,334 25
Maritime Rates Reduction.....	4,140,862 77	4,034,861 04
Passenger .....	66,891,033 94	48,297,257 89
Baggage .....	130,045 98	117,175 53
Sleeping Car .....	4,177,870 17	2,952,807 96
Parlor and Chair Car.....	217,126 00	285,926 35
Mail .....	4,047,893 92	3,967,352 40
Railway Express Agency.....	630,036 91	492,511 29
Express .....	16,860,746 10	13,010,214 49
Other Passenger-Train .....	14,079 88	15,947 45
Milk .....	432,293 55	327,131 84
Switching .....	3,092,258 36	2,884,872 48
Water Transfers .....	137,498 71	133,677 23
Dining and Buffet.....	4,711,769 37	3,133,256 51
Restaurants .....	131,986 46	22,612 05
Station, Train and Boat Privileges.....	432,043 30	298,421 28
Parcel Room .....	149,151 84	89,558 56
Storage—Freight .....	97,879 32	123,437 22
Storage—Baggage .....	80,652 28	48,872 07
Demurrage .....	2,442,762 99	1,772,752 18
Telegraph Commissions (U.S.).....	14,096 83	12,162 10
Telegraph—Commercial .....	7,089,378 82	5,910,065 10
Grain Elevator .....	530,487 67	528,267 38
Rents of Buildings and Other Property.....	633,436 54	566,689 71
Miscellaneous .....	2,162,239 27	1,753,320 73
Joint Facility—Credit .....	713,175 05	570,939 88
Joint Facility—Debit .....	103,712 32	122,881 57
	<u>\$440,615,954 58</u>	<u>\$375,654,543 40</u>

Mr. JACKMAN: I do not want you to slow me up, Mr. Chairman. The mail is away up from \$3,967,352.40 to \$4,047,893.92. In view of the fact that you are probably handling a great deal more mail, does your contract with the post office not entitle you to a bigger share of the postage?

Mr. VAUGHAN: These are actual figures, Mr. Jackman. But there is no doubt that Trans-Canada Air Lines have taken some of the mail away.

Mr. NICHOLSON: You cannot get it both ways.

Mr. WALTON: The railway handling was not very much up in 1943 over 1942.

Mr. VAUGHAN: There was very little difference in the railway mail handling.

Mr. JACKMAN: Is that so?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Is that due to any peculiarity in the contract?

Mr. WALTON: No. It represents volume.

Mr. NICHOLSON: I notice that sleeping car revenue is up about 40 per cent. Have you the figures available for the years prior to 1942?

Mr. ROEBUCK: Parlor and chair car revenue is away down.

Mr. NICHOLSON: They have taken off most of those.

Hon. Mr. MICHAUD: The people sleep now instead of sitting up.

Mr. NICHOLSON: Do you make money on your sleeping car operation? Have you that information available?



Mr. VAUGHAN: It all depends on how you calculate it. We show that we make money on our sleeping cars. I think we do. It depends to what extent you charge interest on cost, depreciation, etc.

Mr. NICHOLSON: Could you build sleeping car equipment, run standard sleeping car trains and make money at present rates?

Mr. VAUGHAN: I suppose if the cars were filled we could.

Mr. NICHOLSON: If you had 50 per cent occupancy?

Mr. VAUGHAN: Well, I would doubt it. You will see on page 19 that the revenue from sleeping car operations in the year was \$4,177,870.17. On page 21, under transportation, you will see that the cost of operating those sleeping cars was \$1,762,137.90. That, I may say, does not include the cost of repairing cars which is all charged to repairs to cars. So that I say it is difficult to calculate.

Mr. NICHOLSON: Does that include the hauling of them?

Mr. VAUGHAN: Oh, no.

Mr. NICHOLSON: That should be a cost, should it not?

Mr. VAUGHAN: That comes into our passenger revenue.

Mr. WALTON: It is pretty hard to segregate the hauling of all the different classes of cars.

Mr. VAUGHAN: Yes. The thing must be taken as a whole.

Mr. NICHOLSON: How do your rates compare with the American rates? It seems to me they are lower here, are they not?

Mr. VAUGHAN: On transcontinental lines they are approximately the same. I think there is little difference between the American rates and ours.

Mr. NICHOLSON: You have not those figures available?

Mr. VAUGHAN: No. I have not those figures available.

Mr. NICHOLSON: It seems to me the minimum sleeping car fare over there is a good deal higher than it is here.

Mr. VAUGHAN: In connection with the question you asked Mr. Nicholson, about what our figures were for sleeping car earnings for previous years. In 1940 the sleeping car earnings were \$1,315,000; in 1941 the figure was \$1,952,000; in 1942 it was \$2,952,000 and in 1943, \$4,177,000.

Mr. NICHOLSON: It has gone up over a million a year, apparently.

Mr. VAUGHAN: Yes.

The VICE CHAIRMAN: Are there any other questions?

Mr. JACKMAN: Under operating expenses?

The VICE CHAIRMAN: Yes.

#### OPERATING EXPENSES

##### *Maintenance of Way and Structures*

	1943	1942
Superintendence .....	\$ 3,400,526 42	\$ 3,347,753 82
Roadway Maintenance .....	6,976,895 50	6,304,724 89
Tunnels and Subways .....	50,985 29	101,281 33
Bridges, Trestles and Culverts .....	1,838,391 52	2,386,493 81
Ties .....	6,190,555 28	5,214,706 04
Rails .....	3,237,902 31	2,944,779 24
Other Track Material .....	2,774,329 90	2,365,972 61
Ballast .....	1,437,333 74	1,204,389 97
Track Laying and Surfacing .....	15,801,141 43	14,117,355 58
Fences, Snowsheds and Signs .....	467,317 50	496,884 09
Station and Office Buildings .....	2,201,496 33	2,133,215 05
Roadway Buildings .....	288,416 79	259,663 68
Water Stations .....	488,874 36	593,114 87
Fuel Stations .....	258,153 91	276,061 74
Shops and Enginehouses .....	451,188 58	2,873,778 68
Grain Elevators .....	44,037 08	350,094 03
Wharves and Docks .....	249,368 66	214,376 03

## STANDING COMMITTEE

## OPERATING EXPENSES (Continued)

<i>Maintenance of Way and Structures—Conc.</i>	1943	1942
Coal and Ore Wharves.....\$	33 16	\$ 8,081 38
Telegraph and Telephone Lines .....	970,338 59	912,553 50
Telegraph—Commercial .....	998,103 66	871,689 15
Signals and Interlockers .....	996,918 24	838,901 73
Power Plants .....	8,023 77	7,859 51
Power Transmission Systems .....	110,311 74	92,022 70
Miscellaneous Structures .....	2,884 36	1,667 78
Road Property—Depreciation—U.S. Lines .....	763,317 87	22,817 37
Road Property—Retirements .....	2,286,928 41	.....
Deferred Maintenance .....	8,150,000 00	4,350,000 00
Roadway Machines .....	467,957 41	422,025 55
Dismantling Retired Road Property .....	111,193 83	.....
Amortization of Defence Projects .....	1,005,600 84	1,002,696 17
Small Tools and Supplies .....	777,648 28	727,166 58
Removing Snow, Ice, and Sand .....	3,758,971 39	2,220,020 47
Public Improvements—Maintenance .....	293,874 98	270,057 48
Injuries to Persons .....	515,272 59	448,736 51
Insurance .....	20,017 20	21,794 90
Stationery and Printing .....	59,994 41	62,537 71
Other Expenses .....	37,349 52	47,634 22
Maintaining Joint Tracks, Yards, etc.—Debit .....	838,314 80	656,193 83
Maintaining Joint Tracks, Yards, etc.—Credit .....	1,570,372 58	1,242,433 63
Right of Way Expenses .....	51,366 39	46,746 79
Protective Services .....	497,466 00	683,122 47
	<u>\$ 67,308,429 46</u>	<u>\$ 57,656,537 63</u>
 <i>Maintenance of Equipment—</i>		
Superintendence .....	\$ 1,380,610 64	\$ 1,443,653 13
Shop Machinery .....	1,405,443 40	1,974,094 97
Power Plant Machinery .....	65,296 35	172,242 68
Machinery—Retirements .....	280,173 62	.....
Machinery—Depreciation—U.S. Lines .....	64,968 69	.....
Dismantling Retired Machinery .....	6,017 31	.....
Steam Locomotives—Repairs .....	20,520,105 61	19,021,873 12
Other Locomotives—Repairs .....	187,668 43	157,163 82
Freight-Train Cars—Repairs .....	14,406,357 85	13,964,564 74
Passenger-Train Cars—Repairs .....	7,960,260 28	6,732,699 30
Floating Equipment—Repairs .....	400,698 33	262,588 03
Work Equipment—Repairs .....	1,873,455 01	1,659,361 17
Express Equipment—Repairs .....	144,423 02	151,491 52
Miscellaneous Equipment—Repairs .....	116,630 53	105,531 01
Miscellaneous Equipment—Retirements .....	2,719 28	.....
Dismantling Retired Equipment .....	64,536 76	56,075 67
Equipment—Depreciation .....	19,829,613 32	16,974,945 14
Express Equipment—Depreciation .....	156,206 50	.....
Injuries to Persons .....	433,855 00	325,834 64
Insurance .....	19,028 25	20,143 79
Stationery and Printing .....	47,004 37	49,239 06
Other Expenses .....	11,949 24	14,690 68
Joint Maintenance of Equipment—Debit .....	207,565 49	162,569 35
Joint Maintenance of Equipment—Credit .....	218,056 55	208,272 27
Deferred Maintenance—Equipment .....	3,000,000 00	8,500,000 00
	<u>\$ 72,366,530 73</u>	<u>\$ 71,540,489 55</u>

Mr. JACKMAN: Under the item of shops and enginehouses about ten or twelve lines down, the figure in 1942 was \$2,873,778.68 and in 1943 it was \$451,188.58. There is a very big decrease there. There must be some explanation.

Mr. VAUGHAN: There is a reason for that.

Mr. COOPER: I think that is somewhat of an accounting matter, Mr. Jackman. In 1942 we expected to retire the car shops at Montreal and we charged into our expenses \$940,000 on that account. In 1943 we made a survey; we sent the engineer out to check the actual retirements, and he reported that it was in the neighbourhood of \$600,000. What we did then was to cancel in 1943 the entry which we had made in 1942, so that in 1942 you had a debit of \$940,000 in this account—that is the Point St. Charles shop—and in 1943 you have a credit of \$940,000. Now the new charge of \$600,000, because of the change in

the I.C.C. accounting regulations with respect to charges for property retired, was charged to account, "road property—retirements, \$2,286,928.41." That is the story.

Mr. JACKMAN: That takes it up?

Mr. COOPER: Yes.

Mr. HANSON (*Skeena*): With regard to grain elevators, the figure in 1942 was \$350,094.03, and in 1943 it is \$44,037.08, for operating expenses. That is a big drop. I should like to have an explanation of that.

Mr. COOPER: I did not quite catch that.

Mr. JACKMAN: There is an item for grain elevators, \$350,000 in 1942 and \$44,000 in 1943.

Hon. Mr. MICHAUD: It is in connection with grain elevators, the item about the middle of page 19.

Mr. COOPER: In 1942—and it was discussed here last year—we wrote off the Portland elevator. We charged into our account there \$309,000 in 1942 for the retirement of the Portland elevator. There is no corresponding charge this year.

Mr. NICHOLSON: You have taken off quite a number of the parlor and chair cars. Have they been converted into passenger cars or what have you done with them?

Mr. VAUGHAN: To a large extent they have been converted into other types of cars.

The VICE-CHAIRMAN: Are there any other questions on this page? Shall we turn over to the next?

Mr. ROEBUCK: What is the meaning of "road property—retirements"? There is nothing at all shown in 1942, and in 1943 there is \$2,286,928.41. Then there is "deferred maintenance" right below that where the amount is doubled. There must be a story there.

Mr. COOPER: In 1943 there was a change in the accounting regulations of the Interstate Commerce Commission. Previously losses in connection with property retired and replaced were charged to the general maintenance accounts. But in 1943 the commission asked us to put them all into one account, and we created a new account into which all items of this nature are charged. That is the explanation.

#### OPERATING EXPENSES (Continued)

##### Traffic—

Superintendence .....	\$ 1,972,998 40	\$ 1,890,285 07
Outside Agencies .....	2,624,847 08	2,470,681 25
Advertising .....	381,445 84	361,231 53
Traffic Associations .....	105,822 89	107,300 71
Stationery and Printing .....	291,048 74	292,186 41
Other Expenses .....	17 52	615 69
Industrial Bureau .....	95,089 70	87,558 02
Colonization, Agriculture and Natural Resources.....	175,810 04	182,477 97
	<u>\$ 5,647,080 21</u>	<u>\$ 5,392,336 65</u>

##### Transportation—

Superintendence .....	\$ 3,510,848 32	\$ 3,517,511 59
Dispatching Trains .....	2,034,611 77	1,887,968 29
Station Employees .....	21,028,176 95	19,057,298 39
Weighing, Inspection, and Demurrage Bureaus.....	90,708 24	90,211 44
Station Supplies and Expenses.....	1,600,008 13	1,488,617 01
Yardmasters and Yard Clerks.....	4,141,427 14	3,519,878 51
Yard Conductors and Brakemen.....	7,869,756 38	7,084,554 33
Yard Switch and Signal Tenders.....	789,635 34	689,892 34
Yard Enginemen .....	5,145,431 14	4,660,449 24
Yard Motormen .....	430,985 09	352,325 02
Yard Switching Fuel.....	6,297,106 30	5,164,506 94
Yard Switching Power Produced.....	9,632 05	9,628 33
Yard Switching Power Purchased.....	101,380 03	72,949 02

## OPERATING EXPENSES (Concluded)

*Transportation—Conc.*

Water for Yard Locomotives.....	\$ 198,213 39	\$ 183,882 53
Lubricants for Yard Locomotives.....	80,672 60	75,723 31
Other Supplies for Yard Locomotives.....	49,464 72	42,122 12
Enginehouse Expenses—Yard .....	1,771,962 44	1,470,367 98
Yard Supplies and Expenses.....	166,628 40	156,618 84
Operating Joint Yards and Terminals—Debit.....	1,558,270 73	1,354,427 58
Operating Joint Yards and Terminals—Credit.....	1,965,670 87	1,873,925 67
Train Enginemen .....	14,612,370 91	13,456,416 11
Train Motormen .....	114,602 84	112,922 87
Train Fuel .....	33,447,645 27	27,712,029 98
Train Power Produced.....	17,916 08	12,360 89
Train Power Purchased.....	58,537 43	38,202 57
Water for Train Locomotives.....	1,279,597 99	1,183,171 34
Lubricants for Train Locomotives.....	540,069 96	483,470 42
Other Supplies for Train Locomotives.....	284,984 01	235,993 03
Enginehouse Expenses—Train .....	5,152,917 65	4,394,091 64
Trainmen .....	16,250,269 83	14,941,560 21
Train Supplies and Expenses.....	9,839,359 66	8,063,339 47
Operating Sleeping Cars.....	1,762,137 90	1,495,983 62
Signal and Interlocker Operation.....	519,634 20	471,830 46
Crossing Protection .....	764,211 32	711,091 44
Drawbridge Operation .....	121,717 82	119,177 70
Telegraph and Telephone Operation.....	389,983 62	357,470 56
Telegraph—Commercial .....	4,721,131 28	4,442,485 42
Operating Floating Equipment.....	1,152,710 36	1,025,644 50
Express .....	7,742,672 35	6,498,139 59
Stationery and Printing .....	650,390 99	597,244 11
Other Expenses .....	1,139,639 79	1,000,282 34
Operating Joint Tracks and Facilities—Debit.....	743,402 61	719,103 42
Operating Joint Tracks and Facilities—Credit.....	492,321 93	478,661 78
Insurance .....	11,645 86	11,656 56
Clearing Wrecks .....	556,223 80	384,231 96
Damage to Property.....	68,201 67	80,822 68
Damage to Live Stock on Right-of-Way.....	76,953 33	56,388 15
Loss and Damage—Freight.....	1,412,664 81	1,001,152 72
Loss and Damage—Baggage.....	13,682 08	7,987 02
Injuries to Persons.....	1,615,246 55	1,466,962 68
	<u>\$ 159,477,448 33</u>	<u>\$ 139,607,558 82</u>

*Miscellaneous—*

Dining and Buffet Service.....	\$ 4,897,656 95	\$ 3,746,868 66
Restaurants .....	138,501 21	21,924 36
Grain Elevators .....	305,397 73	196,159 47
Other Miscellaneous Operators.....	38,860 86	37,900 12
	<u>\$ 5,380,416 75</u>	<u>\$ 4,002,852 61</u>

*General—*

Salaries and Expenses of General Officers.....	\$ 473,179 16	\$ 464,452 27
Salaries and Expenses of Clerks and Attendants....	5,607,560 78	4,419,955 96
General Office Supplies and Expenses.....	292,898 58	263,866 64
Law Expenses .....	339,984 73	344,478 99
Relief Department Expenses.....	27,500 00	27,500 00
Pensions .....	7,083,929 75	4,859,896 18
Stationery and Printing.....	203,924 51	162,232 43
Valuation Expenses .....	14,237 01	12,251 56
Other Expenses .....	222,827 27	222,381 03
General Joint Facilities—Debit.....	40,909 03	36,946 59
General Joint Facilities—Credit.....	11,186 80	15,062 19
	<u>\$ 14,295,764 02</u>	<u>\$ 10,798,899 46</u>

The CHAIRMAN: On page 22, Property Investment Account; expenditures for the year 1943; are there any questions?

## PROPERTY INVESTMENT ACCOUNT

Expenditures Year 1943

## Road:

Montreal Terminal Development, Chapter 12-1929.....\$	258,454	07
Rails and Fastenings .....	373,274	60
Tie Plates and Rail Anchors .....	577,607	56
Ballast .....	167,979	84
Ditching, Drainage and Sewers .....	60,318	74
Large Freight Terminals .....	262,409	58
Large Passenger Terminals .....	117,489	75
Yard Tracks and Sidings .....	909,562	59
Roadway Machines .....	206,262	95
Bridges, Trestles and Culverts .....	349,630	86
Crossing Protection including Subways .....	75,175	37
Stations and Station Facilities .....	333,813	46
Shops, Enginehouses and Machinery .....	317,296	04
Signals and Interlockers .....	898,141	21
Telegraphs—Railway .....	45,819	34
Telegraphs—Commercial .....	374,023	89
Assessments for Public Improvements .....	50,667	53
Land .....	88,524	53
General Additions and Betterments .....	162,101	90

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 \$ 5,451,504 75

## Equipment:

Equipment Purchased or Built .....	\$ 19,148,543	65
Equipment Retirements .....	1,454,181	00
General Betterments to Equipment.....	20,773	03
Equipment Conversions and Transfers .....	72,456	63
Express and Miscellaneous Equipment .....	41,752	02

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 17,829,344 33

Hotels .....

4,897 93

Separately Operated Properties .....

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 47,342 53

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 Net Additions and Betterments during 1943.....

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 \$23,333,089 54

Ledger Balances 1st January, 1943 .....

\$1,960,812,337 81

Net Additions and Betterments during the

year .....

\$23,333,089 54

Acquisition of Atlantic and St. Lawrence

Railroad Co. ....

8,480,700 00

Adjustment with respect to transfer to Canadian

National Railway Company of the rail-

way properties of the Toronto Belt Line

Railway Company and of The Irondale

Bancroft and Ottawa Railway Company..

17,100 00

Transfer between balance sheet accounts of

property donated to the Railway.....

488,475 43

Regina Freight Line Cut-off abandoned.....

232,115 49

Property transfers from Canadian Govern-

ment Railways to other Government De-

partments .....

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 270,160 11

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 30,805,938 06

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 Ledger Balance at 31st December, 1943.....

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 \$1,991,618,275 87

## FUNDED DEBT—PRINCIPAL AND INTEREST

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1943	Interest Accrued 1943
<b>GUARANTEED BY DOMINION OF CANADA:</b>					
5% Perpetual Debenture Stock	G.T.R.	1875 to 1883	Perpetual	\$ 1,566,288.00	\$ 74,185.48
5% G.W. Perp. Debtr. Stock and Bonds	G.T.R.	1858 to 1876	Perpetual	1,002,582.00	46,730.79
4% Perpetual Debenture Stock	G.T.R.	1883 to 1918	Perpetual	7,228,143.67	296,198.54
4% Nor. Rly. Perpetual Debtr. Stock	G.T.R.	July 31, 1884	Perpetual	38,529.40	1,666.63
3% 1st Mortgage Bonds	G.T.P.	July 1, 1905	Jan. 1, 1962	26,465,130.00	793,953.90
4% Sterling Bonds	G.T.P.	July 1, 1914	Jan. 1, 1962	7,999,074.00	319,962.96
3% 1st Mortgage Debenture Stock	Can. Nor.	July 29, 1903	July 10, 1953	1,204,339.39	32,853.23
3 1/2% 1st Mortgage Debenture Stock	Can. Nor.	Mar. 1910	July 20, 1958	5,647,653.49	197,533.97
6 1/2% Sinking Fund Debenture Stock	Can. Nor.	July 1, 1921	July 1, 1946	23,754,000.00	1,544,010.00
3 1/2% 1st Mortgage Debenture Stock	C.N.A.	Mar. 22, 1911	May 4, 1960	551,505.27	18,715.31
3 1/2% 1st Mortgage Debenture Stock	C.N.O.	Dec. 8, 1911	May 19, 1961	4,034,179.54	136,495.59
5% 30 Year Guaranteed Bonds	Can. Nat.	Feb. 1, 1924	Feb. 1, 1954	50,000,000.00	2,500,000.00
4 1/2% 30 Year Guaranteed Gold Bonds	Can. Nat.	July 1, 1927	July 1, 1957	64,136,000.00	2,886,120.00
5% 40 Year Guaranteed Gold Bonds	Can. Nat.	July 1, 1929	July 1, 1969	56,704,000.00	2,835,200.00
5% 40 Year Guaranteed Gold Bonds	Can. Nat.	Oct. 1, 1929	Oct. 1, 1969	57,728,500.00	2,886,383.58
5% 40 Year Guaranteed Gold Bonds	Can. Nat.	Feb. 1, 1930	Feb. 1, 1970	17,338,000.00	866,900.00
4 1/2% 25 Year Guaranteed Gold Bonds	Can. Nat.	June 15, 1930	June 15, 1955	48,503,000.00	2,303,277.31
4 1/2% 25 Year Guaranteed Gold Bonds	Can. Nat.	Feb. 1, 1931	Feb. 1, 1956	67,368,000.00	3,031,560.00
4 1/2% 20 Year Guaranteed Gold Bonds	Can. Nat.	Sept. 1, 1931	Sept. 1, 1951	48,022,000.00	2,160,990.00
3 1/2% 16 Year Guaranteed Bonds	Can. Nat.	Dec. 15, 1934	Dec. 15, 1950	20,500,000.00	615,000.00
3% 9 Year Guaranteed Bonds	Can. Nat.	May 1, 1935	May 1, 1944	35,000,000.00	1,050,000.00
3% 17 Year Guaranteed Bonds	Can. Nat.	Feb. 15, 1936	Feb. 15, 1953	25,000,000.00	750,000.00
2 1/2% 7 Year Guaranteed Bonds	Can. Nat.	Feb. 1, 1937	Feb. 1, 1944	15,500,000.00	348,750.00
3% 15 Year Guaranteed Bonds	Can. Nat.	Feb. 1, 1937	Feb. 1, 1952	20,000,000.00	600,000.00
3% 13 Year Guaranteed Bonds	Can. Nat.	Dec. 15, 1937	Dec. 15, 1950	30,000,000.00	900,000.00
2 1/2% 7 Year Guaranteed Bonds	Can. Nat.	Jan. 15, 1939	Jan. 15, 1946	15,000,000.00	337,500.00
3% 20 Year Guaranteed Bonds	Can. Nat.	Jan. 15, 1939	Jan. 15, 1959	35,000,000.00	1,050,000.00
Total Issues Guaranteed by Dominion of Canada				\$ 685,290,924.76	\$ 28,583,487.29
<b>GUARANTEED BY PROVINCE OF NEW BRUNSWICK:</b>					
4% 1st Mortgage Debenture Stock	St. J. & Q.	May 14, 1912	June 1, 1962	\$ 648,450.73	\$ 25,586.81
<b>GUARANTEED BY PROVINCE OF BRITISH COLUMBIA:</b>					
4% 1st Mortgage Debenture Stock	C.N.P.	Nov. 16, 1911	April 2, 1950	\$ 971,785.73	\$ 35,310.36
4 1/2% Terminal Debenture Stock	C.N.P.	1913 and 1914	April 2, 1950	1,165,819.74	51,044.01
Total Issues Guaranteed by Provincial Governments				\$ 2,786,056.20	\$ 111,941.18
<b>EQUIPMENT TRUST ISSUES:</b>					
5% Series "K"	Can. Nat.	May 1, 1929	Ser. 1, 5, '44	\$ 1,200,000.00	\$ 80,000.00
5% "G.T.W."	G.T.W.	Dec. 14, 1929	Ser. 14, 12, '44	276,000.00	27,281.80
5% "C.V.R."	G.T.W.	Dec. 14, 1929	Ser. 14, 12, '44	41,000.00	4,241.39
5% "C.V.R."	C.V.R.	Dec. 14, 1929	Ser. 14, 12, '44	72,000.00	7,326.67
4 1/2% "L"	Can. Nat.	June 1, 1930	Ser. 1, 6, '45	2,100,000.00	114,187.50
2 1/2% "O"	Can. Nat.	Aug. 1, 1937	Ser. 1, 8, '47	5,720,000.00	163,854.17
2 1/2% "P"	Can. Nat.	Sept. 15, 1938	Ser. 15, 9, '53	5,100,000.00	149,989.58
2 1/2% "Q"	Can. Nat.	July 1, 1939	Ser. 1, 7, '49	3,900,000.00	105,625.00
2 1/2% "G.T.W."	G.T.W.	June 1, 1941	Ser. 1, 6, '51	4,267,000.00	116,175.00
Total Equipment Trust Issues				\$ 22,676,000.00	\$ 768,681.11
<b>OTHER ISSUES:</b>					
4% Canada Atlantic 1st Mtge. Bonds	G.T.R.	Jan. 1, 1905	Jan. 1, 1955	9,962,028.00	398,081.46
6% Northern Railway 3rd Pref. Bonds	G.T.R.	1868	Perpetual	2,433.33	146.00
4% 1st Mortgage Bonds	Pem. Sou.	Sept. 1, 1906	Sept. 1, 1956	150,000.00	6,000.00
4% 2nd Mtge. Bonds, Prairie "A"	G.T.P.	April 1, 1905	April 1, 1955	3,586,680.00	143,476.92
4% 2nd Mtge. Bonds, Mountain "B"	G.T.P.	April 1, 1905	April 1, 1955	3,167,748.00	126,372.06
4% 1st Mtge. Bonds, "Lake Superior"	G.T.P.	April 1, 1905	April 1, 1955	2,155,896.00	86,188.98
4% Perpetual Cons. Debenture Stock	Can. Nor.	1903 to 1912	Perpetual	4,190,964.07	151,741.00
4% Perpetual Cons. Debenture Stock	C.N.O.	June 21, 1909	Perpetual	972,997.53	36,923.02
4% Perpetual Cons. Debenture Stock	C.N.Q.	Oct. 1906	Perpetual	470,212.46	17,892.04
4% 1st Mtge. Perp. Debenture Stock	Q. & L. St. J.	June 1, 1912	Perpetual	315,272.40	12,506.42
4% 1st Mortgage Bonds	G.T.W.	Nov. 30, 1900	July 1, 1950	6,551,372.00	262,295.84
4 1/2% 1st Mortgage Series "A" Bonds	G.T.W.	Jan. 1, 1930	Jan. 1, 1980	400,000.00	18,000.00
4% Indebtedness of S.S. & C.Co.	C.V.R.	Aug. 27, 1858	Optional	155,865.25	6,234.61
4% 1st Mortgage Gold Bonds	M. & P.L.	Oct. 1, 1900	Oct. 1, 1950	200,000.00	8,000.00
5% Indebtedness to Prov. of N.B.	Can. Nat.	Sept. 3, 1929	Various	1,198,022.60	59,901.13
Interest on Securities matured in 1943					200,327.26
Total Other Issues				\$ 33,479,491.64	\$ 1,534,086.74
Total Debt held by Public (including therein \$13,228,313.86 par value held in Special Funds and Accounts) as per Balance Sheet				\$ 744,232,472.60	\$ 30,998,196.32

These obligations are stated in Canadian currency, Sterling and United States currencies being converted at the par of exchange.

This schedule does not include securities in the Railway treasury or those held by The Canadian National Railways Securities Trust, or by the Dominion Government as collateral.

Mr. EMMERSON: What about that Montreal Terminal Development, I see you have an expenditure there of \$258,000?

Mr. VAUGHAN: That is the amount that was spent on the new terminal in 1943.

Mr. NICHOLSON: How much more will there be in the future; what is the provision for next year?

Mr. VAUGHAN: There is an item with respect to 1944 amounting to \$313,000.

The CHAIRMAN: On funded debt—principal and interest:

Mr. HANSON (*Skeena*): Has anything further been done in connection with the retirement of the perpetual bonds carrying high interest rates?

Mr. VAUGHAN: A very large number of them have been in these vested securities. There have been a lot taken up—do you remember, Mr. Cooper? I think we have it here somewhere. It amounts to a large sum of money. They have been largely taken up in that way.

Mr. McCULLOCH: I suppose you have taken up these 5 and 6 per cent ones first?

Mr. VAUGHAN: We are trying to get rid of all securities carrying high rates of interest as quickly as we can.

Mr. COOPER: In connection with the repatriation of securities, I may say that with respect to the old Grand Trunk 5 per cent perpetual debenture stock we have retired \$19,216,000; Great Western 5 per cent perpetual debenture stock we have retired \$12,249,000; Grand Trunk 4 per cent perpetual debenture stock we have retired \$112,610,000; of the 4 per cent Northern Railway perpetual debenture stock, \$1,460,000; and of the Grand Trunk 4 per cent perpetual guaranteed stock, \$60,833,000.

Mr. McCULLOCH: Was any of that retired during the past year, 1943?

Mr. COOPER: Yes, there were small quantities, but most of the repatriation proceedings were in 1942. There were a few which came along in 1943 and again there will be a few in 1944. Some of these securities are not subject to the United Kingdom vesting order; a person for instance living in southern Ireland would not be subject to an order issued by the United Kingdom Government and there is no way in which that stock can be acquired except by negotiation.

The CHAIRMAN:

#### DOMINION OF CANADA—LOANS

(Treated as Assets in Public Accounts of Canada)

	Principal Outstanding at Dec. 31, 1943	Interest Accrued 1943
3½ % Advances, Refunding Act, 1938.....	\$ 69,418,415 43	\$ 2,498,071 45
2 % Advances, Refunding Act, 1938.....	24,689,392 53	493,787 86
3½ % Advances for Repatriation of G.T.R. Debenture Stock....	106,949,109 26	3,729,211 56
3½ % Advances for Repatriation of other Railway Securities....	281,808,025 51	9,837,494 75
3 % Purchase of Railway Equipment, 1936 (Repayable 1938-1950) .....	3,620,211 59	113,131 62
3½ % Purchase of Railway Equipment, 1940 (Repayable 1941-1955) .....	11,903,619 82	426,899 69
3½ % Purchase of Railway Equipment, 1941 (Repayable 1943-1957) .....	19,356,880 11	633,039 89
Purchase of Railway Equipment, 1943 (Repayable 1945-1959) .....	5,671,111 11	43,351 95
3½ % Temporary Loan for Working Capital.....	13,906,999 71	486,744 98
Interest on Loans repaid in 1943.....		403,114 26
	<hr/> \$537,323,765 07	<hr/> \$18,664,848 01

Mr. NICHOLSON: Before we leave this page; what effort has been made to refund these 6½ per cent Canadian northern bonds, something over \$27,000,000. Of course, they mature in 1946, but that is a very high rate of interest. Has any effort been made to take them in?

Mr. VAUGHAN: We cannot do anything with those until 1946 because they are not callable, so we will have to wait until the term expires in 1946 before we can deal with them.

The CHAIRMAN: Investments in affiliated companies:

#### INVESTMENTS IN AFFILIATED COMPANIES

Company	Total	Owned by Can. Nat. System	
	Par Value Outstanding	Par Value	Book Value
<b>Stocks:</b>			
The Belt Railway Company of Chicago....	\$ 3,120,000 00	\$ 240,000 00	\$ 240,000 00
Canadian Government Merchant Marine, Limited .....	800 00	800 00	800 00
Central Vermont Transportation Company.	200,000 00	50,000 00	20,000 00
Chicago & Western Indiana Railroad Co.	5,000,000 00	1,000,000 00	1,000,000 00
The Detroit & Toledo Shore Line Railroad Company .....	3,000,000 00	1,500,000 00	1,542,000 00
Detroit Terminal Railroad Company.....	2,000,000 00	1,000,000 00	1,000,000 00
Northern Alberta Railways Company..... (representing amount paid up, i.e. 10%)	625,000 00	312,500 00	312,500 00
The Ontario Car Ferry Company (Limited)	500,000 00	250,000 00	179,007 53
The Public Markets, Limited.....	1,150,000 00	575,000 00	575,000 00
Railway Express Agency Incorporated (no par value).....	1,000 shares	6 shares	600 00
The Toronto Terminals Railway Company.	500,000 00	250,000 00	250,000 00
The Toledo Terminal Railroad Company..	4,900,000 00	387,200 00	387,200 00
Trans-Canada Air Lines..... (representing amount paid up, i.e. 92%)	4,600,000 00	4,600,000 00	4,600,000 00
Vancouver Hotel Company Limited.....	150,000 00	75,000 00	75,000 00
			<u>\$10,182,107 53</u>
<b>Bonds:</b>			
Northern Alberta Railways Co. 1st Mort- gage Bonds.....	\$27,230,000 00	\$13,615,000 00	\$13,615,000 00
The Toronto Terminals Railway Co. 1st Mortgage Bonds.....	25,610,000 00	12,805,000 00	12,805,000 00
			<u>\$26,420,000 00</u>
<b>Advances:</b>			
Chicago & Western Indiana Railroad Company.....			\$ 2,016,744 63
The Railroad Credit Corporation.....			93,512 93
Railway Express Agency, Incorporated.....			126,246 02
Vancouver Hotel Company Limited.....			16,436 25
			<u>\$ 2,252,939 83</u>
			<u><u>\$38,855,047 36</u></u>

#### MAJOR CONTINGENT LIABILITIES

##### TRANS-CANADA AIR LINES:

The Canadian National Railway Company owns \$5,000,000 of the Capital Stock of the Air Lines on which total call to 31st December, 1943, has been \$4,600,000.

##### NORTHERN ALBERTA RAILWAYS COMPANY:

The Canadian National Railway Company owns \$3,125,000 of the Capital Stock of the Railway Company on which total call to date has been 10%.

Under agreement of purchase dated 6th. February, 1929, Canadian National Railway Company became liable for one-half of the purchase consideration for the property. This obligation was later assumed by Northern Alberta Railways Company which took title to the property. As of 31st. December, the commitment of the Canadian National Railways Company was \$1,210,000. The Canadian National Railway Company takes up currently in its income account one-half of the annual surplus or deficit of Northern Alberta Railways Company.



## THE DETROIT &amp; TOLEDO SHORE LINE RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company as joint and several guarantor by indorsement of principal and interest of \$3,000,000 First Mortgage 4%—50 Year Gold Bonds due 1953.

## THE TOLEDO TERMINAL RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company in respect of \$5,800,000 First Mortgage 4½%—50 Year Gold Bonds due 1957. The guarantee is as to interest only and is several and not joint. Grand Trunk Western's proportion is 9.68%.

## CHICAGO &amp; WESTERN INDIANA RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company, pursuant to joint supplemental lease dated 1st. July, 1902, between Grand Trunk Western Railway Company and four other proprietary companies. Obligation is for repayment of principal of bonds at their maturity, and of interest as it falls due by way of annual rentals. The Grand Trunk Western's obligation is for one-fifth of the bonds issued for "common" property and the entire amount of bonds issued for its "exclusive" property. The bonds are Consolidated Mortgage 50 Year 4% bonds due 1952 and the amounts outstanding at 31st. December, 1943, are:—

Issued for "common" property.....	\$39,973,019 39
Issued for "exclusive" property.....	252,535 36

Assumed by Grand Trunk Western Railroad Company pursuant to joint supplemental lease dated 1st. March, 1936, between Grand Trunk Western Railroad Company and other proprietary companies. Obligation is to pay as rental sinking fund payments sufficient to retire bonds at maturity and interest as it falls due. The Grand Trunk Western's proportion is one-fifth in the absence of default of any of four other tenant companies. The bonds are First and Refunding Mortgage 4½% Series "D" Sinking Fund Bonds due 1962 and the amount outstanding at 31st. December, 1943, is \$19,452,000.

## C.N.R. PENSION PLANS:

Reserves have been set up against contracts in force under the 1935 contractual plan, but not against pensions conditionally accruing under that plan or prior non-contractual plans.

Mr. ROEBUCK: I notice you have there an investment in Canadian government merchant marine?

The CHAIRMAN: That is in another report.

Mr. ROEBUCK: That will grow rapidly in the future.

Mr. VAUGHAN: That all depends on how the government intends to handle the merchant marine. That amount there of \$800 is just directors' shares, Mr. Roebuck.

The CHAIRMAN: Page 26—companies comprising the Canadian National Railway System:

## COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM

## CAPITAL STOCKS OWNED BY DOMINION OF CANADA

Company Number		
1	Canadian National Railway Company.....	\$ 18,000,000 00
2	The Canadian National Railways Securities Trust.....	336,680,462 71
		<u>\$354,680,462 71</u>

## CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC

	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
3	Atlantic and St. Lawrence Railroad Company .....	1	\$ 6,302,340 00	\$ 246,540 00
4	The Bay of Quinte Railway Company....	24	1,395,000 00	
5	The Bessemer and Barry's Bay Railway Company .....	24	125,000 00	
6	*Brooksby Realty Company.....	30	2,000 00	
7	*Canada Atlantic Transit Company.....	1	219,000 00	
8	*Canada Atlantic Transit Company of U.S.	1	250,000 00	
9	The Canadian Express Company.....	1	1,768,800 00	
10	Canadian National Electric Railways....	24	1,750,000 00	
11	Canadian National Express Company...	25	1,000,000 00	
12	Canadian National Land Settlement Association .....	1		

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM—*Con.*\* CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC—*Con.*

Company Number	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
13	*Canadian National Railways (France) ..	1	2,007,400 00	
14	*Canadian National Realties, Limited....	24	40,000 00	
15	Canadian National Rolling Stock Limited	1	50,000 00	
16	*Canadian National Steamship Company, Limited .....	48	15,000 00	
17	Canadian National Telegraph Company..	24	500,000 00	
18	*Canadian National Transportation, Limited .....	1	500 00	
19	The Canadian Northern Alberta Railway Company .....	24	3,000,000 00	
20	Canadian Northern Manitoba Railway Company .....	24	250,000 00	
21	The Canadian Northern Ontario Railway Company .....	24	10,000,000 00	
22	Canadian Northern Pacific Railway Company .....	24	25,000,000 00	
23	The Canadian Northern Quebec Railway Company .....	24	9,550,000 00	3,849,200 00
24	The Canadian Northern Railway Company	1	18,000,000 00	
25	The Canadian Northern Railway Express Company, Limited.....	24	1,000,000 00	
26	Canadian Northern Steamships, Limited.	24	2,000,000 00	
27	Canadian Northern System Terminals (Limited) .....	24	2,000,000 00	
28	Canadian Northern Western Railway Company .....	24	2,000,000 00	
29	Cannar Oils Limited.....	1	100 00	
30	*The Centmont Corporation.....	32	176,400 00	
31	The Central Ontario Railway.....	24	3,331,000 00	
32	Central Vermont Railway, Inc.....	1	10,000,000 00	
33	Central Vermont Terminal, Inc.....	32	5,000 00	
34	*Central Vermont Transit Corporation..	30	5,000 00	
35	*Central Vermont Warehouse, Inc.....	30	5,000 00	
36	The Champlain and St. Lawrence Railroad Company.....	1	50,000 00	
37	*Consolidated Land Corporation.....	51	64,000 00	
38	*Continental Realty & Holding Company..	14	90,000 00	
39	*The Dalhousie Navigation Company Limited .....	24	50,000 00	
40	*Duluth and Virginia Realty Company....	38	45,000 00	
41	Duluth, Rainy Lake & Winnipeg Railway Company .....	43	2,000,000 00	
42	Duluth, Winnipeg and Pacific Railroad Company .....	43	100,000 00	
43	Duluth, Winnipeg and Pacific Railway Company .....	24	3,100,000 00	
44	*Grand Trunk-Milwaukee Car Ferry Company .....	51	200,000 00	
45	The Grand Trunk Pacific Branch Lines Company .....	48	200,000 00	
46	*The Grand Trunk Pacific Development Company, Limited.....	48	3,000,000 00	
47	*Grand Trunk Pacific Dock Company, of Seattle .....	48	150,000 00	
48	The Grand Trunk Pacific Railway Company .....	1	24,940,200 00	
49	The Grand Trunk Pacific Saskatchewan Railway Company.....	48	20,000 00	
50	*Grand Trunk Pacific Terminal Elevator Company, (Limited).....	48	501,000 00	
51	Grand Trunk Western Railroad Company (Common) .....	1	20,000,000 00	
51	Grand Trunk Western Railroad Company (Preferred) .....	1	25,000,000 00	
52	The Great North Western Telegraph Company of Canada (Including \$331,500 00 held in escrow).....	17	373,625 00	6,925 00
53	The Halifax and South Western Railway Company .....	24	1,000,000 00	
54	*Industrial Land Company.....	51	1,000 00	
55	International Bridge Company.....	1	1,500,000 00	
56	The James Bay and Eastern Railway Company .....	24	125,000 00	

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM—*Conc.*CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC—*Conc.*

Company Number	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
57	The Lake Superior Terminals Company Limited	24	500,000 00	
58	The Maganetawan River Railway Company	1	30,000 00	
59	Manitoba Northern Railway Company..	1	500,000 00	
60	The Marmora Railway and Mining Company	24	128,600 00	
61	The Minnesota and Manitoba Railroad Company	24	400,000 00	
62	The Minnesota and Ontario Bridge Company	24	100,000 00	
63	Montreal and Province Line Railway Company	30	1,000,000 00	
64	*Montreal and Southern Counties Railway Company	1	500,000 00	165,600 00
65	The Montreal and Vermont Junction Railway Company	32	197,300 00	
66	*Montreal Fruit & Produce Terminal Company, Limited	1	500 00	
67	*The Montreal Stock Yards Company...	1	350,000 00	
68	*The Montreal Warehousing Company...	1	236,000 00	12,240 00
69	Mount Royal Tunnel and Terminal Company, Limited	24	5,000,000 00	
70	Muskegon Railway and Navigation Company	51	161,293 00	
71	*National Terminals of Canada, Limited	1	2,500 00	
72	National Transcontinental Railway Branch Lines Company	1	500 00	
73	*The Niagara, St. Catharines and Toronto Railway Company	24	925,000 00	
74	*The Niagara, St. Catharines and Toronto Navigation Company (Limited)	73	100,000 00	
75	*The Oshawa Railway Company	1	40,000 00	
76	The Ottawa Terminals Railway Company	1	250,000 00	
77	The Pembroke Southern Railway Company	1	107,800 00	
78	*Prince George, Limited	1	10,000 00	
79	*Prince Rupert, Limited	1	10,000 00	
80	The Quebec and Lake St. John Railway Company	24	4,508,300 00	489,160 00
81	The Qu'Appelle, Long Lake and Saskatchewan Railroad and Steamboat Company	24	201,000 00	
82	*Rail & River Coal Company	1	2,000,000 00	
83	St. Boniface Western Land Company	24	250,000 00	
84	The St. Charles and Huron River Railway Company	24	1,000 00	
85	St. Clair Tunnel Company	1	700,000 00	
86	The Stanstead, Shefford and Chambly Railroad Company	30	608,333 33	
87	*The Thousand Islands Railway Company	1	60,000 00	
88	†Trans-Canada Air Lines	1	4,600,000 00	
89	The United States and Canada Rail Road Company	1	219,400 00	475 00
90	Vermont and Province Line Railroad Company	1	200,000 00	
91	The Winnipeg Land Company Limited..	24	100,000 00	
			<u>\$208,254,891 33</u>	<u>\$ 4,770,140 00</u>

The Income Accounts of Companies indicated (\*) are included in the System Income Account as "Separately Operated Properties."

†Treated as an Affiliated Company.

Mr. DUROCHER: How many companies were there in that item last year?

Mr. COOPER: 96.

Mr. DUROCHER: And I see there are only 91 this year.

Mr. COOPER: Yes.

Mr. ROEBUCK: I see under investments in affiliated companies, Trans-Canada Air Lines, \$4,600,000. Well now, there is a story there, isn't there; aren't you going to pass that out of your hands in the future, according to Mr. Howe's statement in the House?

Mr. VAUGHAN: Apparently we will have to divest ourselves of our interest in Trans-Canada Air Lines within one year after the close of the war, according to the announcement made by the Hon. Mr. Howe in the House of Commons a few days ago.

Mr. NICHOLSON: Will there be any chance of your obtaining anything like the value Mr. Symington placed on that organization yesterday when he said that he would not take \$25,000,000 for it?

Mr. VAUGHAN: We do not think it would be right for us to charge anything like that amount to the government.

The CHAIRMAN: On page 28—railway equipment:

	RAILWAY EQUIPMENT					December 31, 1943
	December 31, 1942	Additions During Year	Retirements During Year	Conversions During Year		
				Added	Retired	
<b>LOCOMOTIVES</b>						
Passenger—Freight .....	2,070	29	24			2,075
Switching .....	434	1	1			434
Electric .....	24					24
Oil Electric .....	27					27
<b>Total .....</b>	<b>2,555</b>	<b>30</b>	<b>25</b>			<b>2,560</b>
<b>FREIGHT EQUIPMENT</b>						
Box Cars .....	62,879	2,238	143	2	462	64,514
Flat Cars .....	5,279		7		25	5,247
Stock Cars .....	3,069		2			3,067
Coal Cars .....	14,314	487	62			14,739
Tank Cars .....	148		1			147
Refrigerator Cars .....	3,091	100	18			3,173
Caboose Cars .....	1,563		31	150		1,682
Other Cars in Freight Service	10					10
<b>Total .....</b>	<b>90,353</b>	<b>2,825</b>	<b>264</b>	<b>152</b>	<b>487</b>	<b>92,579</b>
<b>PASSENGER EQUIPMENT</b>						
Coach Cars .....	1,196		1	15		1,210
Combination Cars .....	273					273
Dining Cars .....	93					93
Colonist Cars .....	179	9		3		191
Parlour Cars .....	65				7	58
Cafe Cars .....	30				2	28
Sleeping Cars .....	308		2		4	302
Tourist Cars .....	47					47
Baggage and Express Cars..	994	50	1	18	3	1,058
Postal Cars .....	49					49
Unit Cars .....	47		3			44
Other Cars in Passenger Service .....	62		1	1	6	56
<b>Total .....</b>	<b>3,343</b>	<b>59</b>	<b>8</b>	<b>37</b>	<b>22</b>	<b>3,409</b>
<b>WORK EQUIPMENT</b>						
Business Cars .....	62				1	61
All Other Cars in Company's Service .....	7,065	27	141	324	3	7,272
<b>Total .....</b>	<b>7,127</b>	<b>27</b>	<b>141</b>	<b>324</b>	<b>4</b>	<b>7,333</b>
<b>FLOATING EQUIPMENT</b>						
Car Ferries .....	9					9
Barges .....	4	1				5
Tugs .....	4					4
Work .....	4					4

Mr. HANSON (*Skeena*): When do we get to the hotels, does that come in here?

Mr. VAUGHAN: I take it that you want the individual hotels?

Mr. HANSON (*Skeena*): Yes.

Mr. COOPER: We have a statement on that which we will put on the record now.

## HOTELS

Year 1943—	Revenues	Expenses	Taxes	Net
Charlottetown .....	\$ 150,209 33	\$ 125,715 83	\$ 5,111 76	\$ 19,381 74
*Pictou Lodge .....	.....	2,335 33	250 87	+2,586 20
Nova Scotian .....	810,512 30	562,914 83	18,030 39	229,567 08
Chateau Laurier .....	2,243,347 59	1,711,454 64	78,305 27	453,587 68
Prince Arthur .....	209,841 75	186,492 18	6,043 46	17,306 11
*Minaki Lodge .....	751 50	7,485 42	35 71	+6,769 63
Fort Garry .....	570,520 67	459,001 91	29,402 16	82,116 60
Prince Edward .....	172,229 07	144,059 69	4,054 71	24,114 67
Macdonald .....	771,212 05	576,065 04	16,521 25	178,625 76
*Jasper Park Lodge.....	2,235 58	19,722 09	4,581 84	+22,068 35
Bessborough .....	437,309 83	377,403 12	3,148 49	56,758 22
	<u>\$5,368,169 67</u>	<u>\$4,172,650 08</u>	<u>\$ 165,485 91</u>	<u>\$1,030,033 68</u>
Year 1942—				
Charlottetown .....	106,872 89	107,061 33	4,899 00	+5,087 44
Pictou Lodge .....	17,776 21	20,378 01	316 00	+2,917 80
Nova Scotian .....	694,949 83	550,958 34	15,746 35	128,245 14
Chateau Laurier .....	2,095,889 30	1,651,869 19	64,587 72	379,432 39
Prince Arthur .....	196,849 39	185,401 47	6,476 11	4,971 81
Minaki Lodge .....	76,189 45	54,065 39	236 75	21,887 31
Fort Garry .....	473,706 60	418,808 43	29,566 84	25,331 33
Prince Edward .....	141,716 89	132,913 07	4,114 37	4,689 45
Macdonald .....	568,629 44	474,331 70	16,583 88	77,713 86
Jasper Park Lodge.....	187,435 05	245,827 58	6,152 27	+64,544 80
Bessborough .....	335,491 35	332,462 85	3,026 33	2 17
	<u>\$4,895,506 40</u>	<u>\$4,174,077 36</u>	<u>\$ 151,705 62</u>	<u>\$ 569,723 42</u>
Gain or Loss.....	\$ 472,663 27	\$ 1,427 28	†\$ 13,780 29	\$ 460,310 26

\*Not operated during 1943.

†Denotes Loss.

Mr. EMMERSON: I notice that under tank cars you have one less tank car than you had last year. That is rather surprising to me because there has been so much movement of oil and gasoline. How can the railway get along with such a small number of tank cars?

Mr. VAUGHAN: Most of the oil companies have their own tank cars, Mr. Emmerson; that is the reason for it. This particular car here was retired or destroyed; that is the reason why we have one less car on the list this year than last.

Mr. WALTON: Those shown here are just for our own company use.

Mr. NICHOLSON: In connection with these postal cars, have you any information as to the number of postal cars the Canadian Pacific are operating? It seems to me the Canadian National is not getting its share of the long haul and the large volume of mail from Vancouver to Winnipeg, Toronto and Montreal.

Mr. VAUGHAN: We are not getting any through mail between the east and the west at the present time. I think it is fair to say that we have not got sufficient post office cars to handle it, but we hope to have them.

Mr. EMMERSON: What about these box cars?

Mr. VAUGHAN: C.P.R. do not give the number, they lump all their cars together—first-class, second-class, sleeper, baggage, dining, mail, express—they lump them all together and we do not know how many they have in the service.

Mr. NICHOLSON: Over a period of years have you reason to expect that you will get your share let us say when you have adequate equipment?

Mr. VAUGHAN: We have been pressing our case constantly with the post office department.

Mr. NICHOLSON: Does not a lot of the mail go in express box cars?

Mr. WALTON: There is a certain amount that goes that way, anything that has to be sorted must go in a postal car.

Mr. EMMERSON: Yes. The through mail such as from Halifax to Montreal.

Mr. WALTON: We do use closed cars for a considerable quantity of mail which does not have to be worked on en route.

Mr. VAUGHAN: The figure for 1943 that the government paid the Canadian National Railways for handling the mail was \$3,459,543. During the same period they paid the Canadian Pacific Railways \$3,957,000. I should say that our relationship with the post office department at the present time is quite satisfactory and I believe will lead to more business from them when we get more post office cars.

Mr. NICHOLSON: Considering the number of miles you operate it would not appear to me that you are getting your share of the post office revenue.

Mr. VAUGHAN: Under normal conditions, in normal times, providing we have the equipment available, we really should be given a larger share of the business.

Mr. NICHOLSON: You ought to have the additional equipment available.

Mr. VAUGHAN: We hope to.

The CHAIRMAN: Statistics of rail-line operation; transportation service; work service; employees and their compensation:—

## STATISTICS OF RAIL-LINE OPERATION

TRAIN MILES	TRANSPORTATION SERVICE					
	Freight		Passenger		Total	
	1943	1942	1943	1942	1943	1942
Locomotive Drawn .....	44,871,187	42,720,204	22,815,551	21,463,841	67,686,738	64,184,045
Motor Unit Cars .....	.....	.....	1,004,401	1,134,055	1,004,401	1,134,055
Total .....	44,871,187	42,720,204	23,819,952	22,597,896	68,691,139	65,318,100
LOCOMOTIVE MILES						
Principal .....	44,894,433	42,742,362	22,815,571	21,463,841	67,710,004	64,206,203
Helper .....	2,505,669	2,222,053	498,520	437,459	3,004,189	2,659,512
Light .....	989,627	957,228	420,464	375,156	1,410,091	1,332,384
Train Switching .....	3,622,691	3,563,046	109,124	111,110	3,731,815	3,674,156
Yard Switching .....	15,708,505	14,762,717	1,401,288	1,243,366	17,109,793	16,006,083
Total .....	67,720,925	64,247,406	25,244,967	23,630,932	92,965,892	87,878,338
CAR MILES						
Loaded Freight Cars .....	1,191,596,101	1,138,327,325	380,209	788,438	1,191,976,310	1,139,115,763
Empty Freight Cars .....	515,077,717	520,532,110	186,130	559,416	515,263,847	521,091,526
Passenger Coach and Combination Cars .....	7,873,984	8,995,757	87,575,672	73,967,659	95,449,656	82,963,416
Sleeping, Parlour and Observation Cars .....	648,991	1,365,054	55,837,555	50,442,371	56,486,546	51,807,425
Dining Cars .....	67,471	144,846	10,536,990	8,735,400	10,604,461	8,880,246
Other Cars .....	8,384,319	8,658,054	61,866,682	55,680,337	70,251,001	64,338,391
Motor Unit Cars .....	.....	.....	1,035,229	1,190,445	1,035,229	1,190,445
Caboose .....	43,896,849	41,750,504	1,477,859	1,408,413	45,374,708	43,158,917
Total .....	1,767,545,432	1,719,773,650	218,986,326	192,772,479	1,986,441,758	1,912,546,129
WORK SERVICE						
	Train Miles		Locomotive Miles		Car Miles	
	1943	1942	1943	1942	1943	1942
Locomotive Drawn .....	1865,186	1,546,974	2,321,166	1,867,529	3,279,290	3,577,566
Motor Unit Cars .....	.....	130	.....	130	.....	57
Total .....	1,865,186	1,547,104	2,321,166	1,867,659	3,279,290	3,577,623

RAILWAYS AND SHIPPING

## STATISTICS OF RAIL-LINE OPERATION—Continued

Average mileage of road operated.....	1943 23,494.31	1942 23,494.22
<i>Ton-Miles—Train-Hours in Road Service—</i>		
Gross ton-miles of cars, contents and cabooses.....	78,902,107.402	73,256,924.142
Net ton-miles of freight (revenue and non-revenue).....	38,796,570.833	34,146,595.836
Train-hours in freight road service.....	3,005,447	2,750,961
<i>Revenue Traffic—</i>		
Tons of freight carried.....	80,426.781	71,545.237
Ton-miles—Revenue freight.....	36,326,990.666	31,729,325.493
Freight revenue.....	\$324,899,724	\$288,462,195
Passengers carried.....	34,500,731	30,363,290
Passenger-miles.....	3,618,808.393	2,707,890.246
Passenger revenue.....	\$66,891,034	\$48,297,258
<i>Average—</i>		
Miles per revenue ton.....	451.68	443.49
Miles per revenue passenger.....	104.89	89.18
Revenue per ton-mile.....	\$0.00894	\$0.00909
Revenue per passenger-mile.....	\$0.01848	\$0.01784
Revenue per ton.....	\$4.03970	\$4.03189
Revenue per passenger.....	\$1.93883	\$1.59065
<i>Average per Mile of Road—</i>		
Ton-miles—Revenue freight.....	1,540,070	1,345,174
Ton-miles—All freight.....	1,651,318	1,453,404
Passenger-miles—Revenue.....	154,029	115,258
Gross revenue.....	\$18,754.16	\$15,989.23
Gross expenses (including taxes, equipment, joint facility rents and pension appropriation).....	\$15,279.53	\$12,799.93
Net railway operating income.....	\$ 3,474.63	\$ 3,189.30

## EMPLOYEES AND THEIR COMPENSATION

	1943	1942	Increase	% Increase
*Average number of employees.....	101,126	94,592	6,534	6.91
*Total payroll.....	\$195,555,045	\$177,042,773	\$18,512,272	10.46

\*Includes railway, express and telegraph employees. Excludes hotel and subsidiary company employees.

Mr. ROEBUCK: I see the number of employees has gone up, to 101,000 from 94,000. That means that you have broken in a very large number of new people?

Mr. VAUGHAN: That is so.

Mr. ROEBUCK: I know this is a small matter perhaps but, coming on the train out of Toronto I have been on it several times now when the train is so inhumanly hot that if it were cows we would prosecute you for cruelty to animals. The train leaves the Union Station in Toronto coming this way in a positively inhuman condition.

Mr. WALTON: You are speaking of the afternoon train?

Mr. ROEBUCK: Yes.

Mr. VAUGHAN: If it is properly regulated that should not be.

Mr. ROEBUCK: I put it down to poor help.

A MEMBER: Are you sure you were not on a C.P.R. car?

Mr. ROEBUCK: For the purpose of this occasion we will say it was a C.P.R. car.

Mr. VAUGHAN: We will have to check up our cars to see that they are properly regulated. It may have been one of our cars or it may not. I do not know.

Mr. NICHOLSON: When your brief was presented to the Reconstruction Committee last year you reported that you had in May of 1943 an average of 73,000 employees and here you say you have 101,000, how do you account for the discrepancy?



Mr. WALTON: I think that is the figure for Canadian lines, only if I remember correctly.

Mr. VAUGHAN: That is the Canadian proportion. That would account for most of the difference.

The CHAIRMAN: Distribution of the dollar:

## DISTRIBUTION OF THE DOLLAR

	Operating Revenue Dollar		Operating Expense Dollar	
	1943	1942	1943	1942
Labour .....	·4116	·4302	·5589	·5591
Fuel .....	·0902	·0875	·1225	·1138
Other Expenses .....	·2346	·2516	·3186	·3271
Total Operating Expenses .....	·7364	·7693	\$1 00	\$1 00
Available for Taxes and other Accounts..	·2636	·2307	—	—
Total .....	\$1 00	\$1 00	\$1 00	\$1 00
Maintenance of Way Accounts.....	·1528	·1535	·2074	·1995
Maintenance of Equipment Accounts....	·1642	·1904	·2230	·2475
Traffic Accounts .....	·0128	·0144	·0174	·0187
Transportation Accounts .....	·3619	·3716	·4915	·4831
Miscellaneous Accounts .....	·0122	·0107	·0166	·0138
General Accounts .....	·0325	·0287	·0441	·0374
Total Operating Expenses.....	·7364	·7693	\$1 00	\$1 00
Available for Taxes and other Accounts..	·2636	·2307	—	—
Total .....	\$1 00	\$1 00	\$1 00	\$1 00

Mr. McCULLOCH: We cannot change that.

## OPERATED MILEAGE, DECEMBER 31, 1943

Territory	Mileage Owned by Constituent Companies				Mileage of Lines under Lease or Contract		Mileage of Trackage Rights				Total Operated Road Mileage				Spurs Sidings & Yard Tracks
	1st Main Track	2nd Main Track	3rd Main Track	4th Main Track	1st Main Track	2nd Main Track	1st Main Track	2nd Main Track	3rd Main Track	4th & Other Main Tracks	1st Main Track	2nd Main Track	3rd Main Track	4th & Other Main Tracks	
	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles
Atlantic Region.....	2,986.76	50.87	—	—	6.41	—	82.95	—	—	—	3,076.12	50.87	—	—	928.23
Central Region.....	7,124.66	719.11	16.04	10.81	353.13	9.31	27.85	23.30	2.13	4.10	7,505.64	751.72	18.17	14.91	2,734.57
Western Region.....	11,091.01	86.24	—	—	378.22	4.36	64.07	23.04	—	—	11,533.30	113.64	—	—	2,551.03
Grand Trunk Western Lines.....	956.26	363.18	10.62	—	9.50	—	59.75	6.33	1.36	0.99	1,025.51	369.51	11.98	0.99	778.50
Central Vermont Lines.....	237.90	0.63	—	—	125.18	0.03	58.73	32.75	—	—	421.81	33.41	—	—	157.83
*Total Mileage.....	22,396.59	1,220.03	26.66	10.81	872.44	13.70	293.35	85.42	3.49	5.09	23,562.38	1,319.15	30.15	15.90	7,150.16
Lines in Canada.....	20,987.00	855.65	16.04	10.81	565.43	12.56	170.48	42.90	2.13	4.10	21,722.91	911.11	18.17	14.91	6,052.97
Lines in United States.....	1,409.59	364.38	10.62	—	307.01	1.14	122.87	42.52	1.36	0.99	1,839.47	408.04	11.98	0.99	1,097.19

\*Separately Operated Lines (Gasoline Electric and Electric) not included.

The VICE-CHAIRMAN: Is the small increase due to the lengthening of the sidings?

Mr. VAUGHAN: The sidings are not in here except in the last paragraph.

Mr. EMMERSON: That 928·23 is mostly due to the length of sidings.

Mr. VAUGHAN: Yes, increases in tracks in yards and extensions of the sidings.

Mr. EMMERSON: Would not the most of that be due to the new system used in certain sections?

Mr. VAUGHAN: You are referring to the centralized traffic control?

Mr. EMMERSON: Yes.

Mr. VAUGHAN: That did not increase the length of trackage to any extent, but we have put a lot of additional tracks in places like the Moncton yard and the Truro yard and Halifax yard and the Rockingham yard, and we have extended a great many sidings, lengthened them out so that they will take a full train.

Mr. EMMERSON: There were some large extensions on the sidings at the same time.

Mr. VAUGHAN: There was a rearrangement of some tracks in connection with the centralized traffic control.

Mr. McCULLOCH: I move, Mr. Chairman, that the report be adopted.

Mr. EMMERSON: I second that.

Motion agreed to.

The VICE-CHAIRMAN: Now we have the report of the Canadian National Steamships Limited at page 3.

Mr. VAUGHAN:

On behalf of the Directors, I beg to submit the Annual Report of Canadian National (West Indies) Steamships, Limited, for the calendar year 1943.

	1943	1942	Increase or Decrease	
Operating revenues.....	\$4,492,188 94	\$5,600,496 25	\$1,108,307 31	19·79%
Operating expenses.....	3,188,578 72	4,380,852 94	1,192,274 22	27·22%
Operating profit.....	<u>\$1,303,610 22</u>	<u>\$1,219,643 31</u>	<u>\$ 83,966 91</u>	

Details of the operating revenues and operating expenses are given in the accounting statements accompanying this report.

Out of the operating profit for the year there has been paid \$521,700 for bond interest and exchange, also \$343,072 for interest on Government Notes and Advances, leaving an income surplus for the year of \$438,837, which will be paid to the Government to be applied against interest arrears.

The operations of the Company were again affected in marked degree by wartime conditions. The Directors record their thanks to the officers and employees for splendid services rendered under abnormal and trying conditions.

The VICE-CHAIRMAN: Are there any questions?

Mr. ROEBUCK: Does this mean that you have a decreased revenue—a decreased operating expense and an increased profit?

Mr. VAUGHAN: Yes.

Mr. ROEBUCK: That looks pretty good on its face.

The VICE-CHAIRMAN: Consolidated balance sheet.

CONSOLIDATED BALANCE SHEET

At 31st DECEMBER, 1943

ASSETS			LIABILITIES	
Investments:			Capital Stock:	
Vessels .....	\$5,805,632 17		Authorized and issued 400 Shares of \$100 each.....	\$ 40,000 00
Plant and Equipment.....	8,273 78		Funded Debt:	
Office Furniture and Fixtures.....	17,555 85	\$ 5,831,461 80	25 Year 5% Dominion of Canada Guaranteed Gold	
			Bonds due in 1955.....	9,400,000 00
Current Assets:			Dominion of Canada Account:	
Cash in Banks.....	\$1,312,666 41		Notes Payable Secured by Mortgages on	
Special Deposits.....	7,600 00		Vessels .....	\$ 933,071 83
	\$1,320,266 41		Advances:	
Accounts Receivable.....	1,052,174 98		Capital .....	\$ 549,096 08
Agents .....	545,924 95		Working Capital.....	450,000 00
Inventories of Stores and Supplies.....	20,366 78		Deficits .....	5,059,960 94
Advances to Captains, Crews and Agents	120,055 64			6,059,057 02
Due from Underwriters.....	73,576 37		Interest Accrued Unpaid.....	138,419 83
Due from Insurance and Replacement				7,130,548 68
Fund .....	235,987 56		Current Liabilities:	
	3,368,352 69		Dominion of Canada.....	\$ 781,910 22
Insurance and Replacement Fund.....	6,415,750 11		Accounts Payable.....	1,713,279 25
Discount on Capital Stock.....	40,000 00		Interest Matured Unpaid.....	7,600 00
Unadjusted Debits.....	10,068 36		Unmatured Interest Accrued.....	156,666 67
			Passage Money paid in Advance.....	24,930 72
				2,684,386 86
			Unadjusted Credits .....	77,233 34
			Uncompleted Voyages—Suspense .....	192,630 48
			Accrued Depreciation .....	2,526,552 40
			Insurance and Replacement Reserve.....	2,955,729 46
			Profits and Loss:	
			Deficit at 1st January, 1943.....	\$9,780,285 54
			Surplus for year 1943.....	438,837 28
				9,341,448 26
				<u>\$15,665,632 96</u>
				<u>\$15,665,632 96</u>

NOTE.—A reserve has been provided for pension contracts in force under the 1935 contractual plan, but not for pensions conditionally accruing.

T. H. COOPER,  
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the Canadian National (West Indies) Steamships, Limited and Subsidiary Companies for the year ended the 31st December, 1943, and we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Steamships as at the 31st December, 1943, and that the relative Income Account for the year ended the 31st December, 1943, is correctly stated.

GEORGE A. TOUCHE & CO.,  
Chartered Accountants.

10th March, 1944.

Mr. HANSON (*Skeena*): How many boats did you operate last year?

Mr. VAUGHAN: We have not shown the number of boats in here or their routes. They are operated really under the control of the navy. We, of course, find our own cargoes and do the actual operation of the boats, but the routes they travel are specified by the navy. We have up to the present time in the West Indian trade something in the neighbourhood of, I think, a dozen boats of which, six are Park Steamship Company boats which were built by the government and which were given to us on the same basis as they are given to the other steamship companies. We get a small management fee for handling those boats and commission on the freight.

Mr. EMMERSON: With regard to accounts receivable, there seems to be a large amount; why should that be so?

Mr. VAUGHAN: We can give you particulars of that, I think.

Mr. ROEBUCK: Is \$1,000,000 high in a \$15,000,000 take?

Mr. NICHOLSON: The government is pretty slow in paying sometimes I guess.

Mr. VAUGHAN: I may say in response to that that a large amount of that—about \$710,000—is owed by the Department of National Defence for use of the hospital ship *Lady Nelson* and the *Lady Rodney*—the two *Lady* boats which are chartered by the government.

Mr. NICHOLSON: The account should be all right, I suppose.

The VICE-CHAIRMAN: And the last statement is Consolidated income account. Are there any questions on that?

#### CONSOLIDATED INCOME ACCOUNT

	1943	1942
<i>Operating Revenue—</i>		
Freight .....	\$3,503,027 22	\$4,561,640 65
Passenger .....	13,295 52	299,799 47
Miscellaneous .....	112,282 25	136,086 63
Subsidies .....	172,770 00	192,520 40
Charter .....	690,813 95	410,449 10
Total .....	\$4,492,188 94	\$5,600,496 25
<i>Operating Expenses—</i>		
Closed voyages .....	\$2,740,371 98	\$4,075,597 83
Depreciation on vessels .....	239,362 63	160,633 57
Management and office salaries .....	99,191 17	103,654 17
Pensions .....	81,470 68	34 15
Other expenses .....	28,182 26	41,001 52
Total .....	\$3,188,578 72	\$4,380,852 94
Operating profit .....	\$1,303,610 22	\$1,219,643 31
Interest on bonds held by public .....	470,000 00	470,000 00
Exchange on U.S. funds .....	51,700 00	51,700 00
Amortization of discount on bonds .....		77,362 00
Interest on government notes and advances .....	343,072 94	346,701 38
Surplus .....	\$ 438,837 28	\$ 273,879 93

Mr. HANSON (*Skeena*): I move the adoption of the report.

Mr. McCULLOCH: I second the motion.

Motion agreed to.

The VICE-CHAIRMAN: The committee will adjourn until 4 o'clock to-morrow afternoon.

The committee adjourned to meet Wednesday, March 29th at 4 o'clock p.m.



SESSION 1944  
HOUSE OF COMMONS

## STANDING COMMITTEE

ON

# RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

Consideration of

Canadian National Railways and Steamships Budget (1944),  
Canadian National Railways Securities Trust, 1943,  
Items 387, 388, 408 and 409 of the Estimates for 1944-45,  
Auditors' Report (George A. Touche and Company, 1943).

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WEDNESDAY, MARCH 29, 1944

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WITNESSES:

- Mr. R. C. Vaughan, Chairman of Board of Directors and President, Canadian National Railways,  
Mr. N. B. Walton, Executive Vice-President, Operation and Construction Departments, Canadian National Railways,  
Mr. T. H. Cooper, Comptroller, Canadian National Railways and T.C.A.,  
Mr. O. A. Matthews, of George A. Touche & Co., Auditors.

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1944





REPORT TO THE HOUSE

FRIDAY, March 31, 1944.

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

SECOND REPORT.

Your Committee has considered the following items of the Estimates for 1944-45 referred to it on March 21, 1944, and gives its approval to same, namely:—

Vote No. 387—Maritime Freight Rates Act—Canadian National Railways .....	\$3,500,000.00
Vote No. 388—Maritime Freight Rates Act—Railways other than Canadian National.....	900,000.00
Vote No. 408—Canadian National (West Indies) Steamships Limited, capital advances.....	20,000.00
Vote No. 409—Prince Edward Island Car Ferry and Terminals—Deficit 1944 .....	564,200.00

All of which is respectfully submitted.

J. P. HOWDEN,  
*Chairman.*



## MINUTES OF PROCEEDINGS

WEDNESDAY, March 29, 1944.

(5)

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4 o'clock. Mr. J. P. Howden, the Chairman, presided.

*Members present:* Messrs. Donnelly, Emmerson, Hanson (*Skeena*), Harris (*Danforth*), Howden, McCulloch, Maybank, Michaud, Nicholson, Parent, Roebuck, and Sanderson (12).

Mr. R. C. Vaughan, Chairman of the Board of Directors and President of the Canadian National Railways was recalled.

With the consent of the members, the Committee reverted to the Canadian National Annual Report and Mr. Harris filed a series of eight questions. Mr. T. H. Cooper being recalled supplied forthwith replies to numbers 1, 5 and 8. (*See minutes of evidence to this day's.*)

Mr. Vaughan agreed to forward at a later date answers to the remaining five questions for the information of each member of the Committee.

The Committee then proceeded to consider the Canadian National Railways and Canadian National (West Indies) Steamships Limited Financial Budget for the year 1944. Witness was interrogated and on motion of Mr. McCulloch, this budget was adopted as presented.

The Canadian National Railways Securities Trust Annual Report for 1943 was presented and adopted on motion of Mr. Maybank.

The following items of the Estimates for the year 1944-45 were considered, namely:—

Vote No. 387—Maritime Freight Rates Act—Canadian National Railways .....	\$3,500,000.00
Vote No. 388—Maritime Freight Rates Act—Railways other than Canadian National.....	900,000.00
Vote No. 408—Canadian National (West Indies) Steamships Limited, capital advances.....	20,000.00
Vote No. 409—Prince Edward Island Car Ferry and Terminals—Deficit 1944 .....	564,200.00

On motion of Mr. Donnelly, the above-mentioned items were approved.

Messrs. Vaughan, Cooper, Walton were retired.

Mr. Vaughan thanked the members of the Committee for the kindness afforded him and his assistants in the course of his deposition.

Mr. G. A. Matthews, of George A. Touche & Company, auditors, was called. He read the Canadian National Railways System Auditors' Report for 1943, and following his examination, the said report was approved on motion of Mr. Roebuck.

Mr. Matthews was retired.

The Chairman expressed the appreciation of the members of the Committee to the officials of Trans-Canada Air Lines, Canadian National Railways, Department of Transport and to Mr. Matthews.

At 5.45 p.m., the Committee adjourned at the call of the Chair.

ANTONIO PLOUFFE,  
*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 29, 1944.

The Standing Committee on Railways and Shipping met this day at 4 o'clock p.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: I see that the committee made good headway in the chairman's absence last night, for which I am very glad. I believe that the report of the Canadian National Railways was dealt with last night; but one member of the committee, Mr. Harris, has a matter to put before the committee in connection with the Canadian National Railways report. I think it would be the wish of the committee that we ask Mr. Harris to proceed now. Then we shall go ahead with something else.

Mr. HARRIS: Thank you very much, Mr. Chairman. The expedition and despatch with which you disposed of the Canadian National Railways report is something which might receive commendation in some quarters and perhaps not so much in others. Since the inception of this committee, I do not know when a chairman was able to get through such a gigantic task with such speed. Your kindness in allowing me to ask one or two questions is greatly appreciated, sir, and I assure you that in the answers to the questions I am going to ask, the work of the House of Commons will be expedited as well. Otherwise these questions would have gone on the order paper and cluttered up the work in another place. Before asking these questions, I should like to ask first for a breakdown of the refunding measure, which is on the order paper of March 28, item number 12, "to provide for the refunding of matured, maturing and callable financial obligations of the Canadian National Railways and for the issue of securities guaranteed by the Dominion of Canada in respect of such refunding to an aggregate principal amount not exceeding \$200,000,000." We understand pretty well what they are, but it would facilitate matters if the officers here could tell us more precisely what securities, what maturities and callable obligations are being refunded. That is the first question.

Mr. VAUGHAN: All right. Mr. Cooper will give you that.

Mr. COOPER: In 1944 there is an issue of Canadian National 3 per cent nine-year bonds, maturing May 1, 1944, for \$35,000,000. There is an issue of 2 per cent, seven-year bonds, which matured on February 1, 1944, of \$15,500,000. There is an issue of 5 per cent Canadian National forty-year bonds which are callable in 1944, amounting to \$56,704,000; a total of \$107,204,000. In 1945 we have no maturities. In 1946 we have the Canadian Northern 6½ per cent sinking fund bonds due on July 1, 1946, \$23,754,000 and Canadian National Railway 2¼ per cent, seven-year bonds which mature January 15, 1946, \$15,000,000; a total of \$38,754,000. There are no maturities in 1947 nor in 1948. So that total maturities in the next five years, including 1944, amount to \$145,958,000.

Mr. DONNELLY: There was one issue you referred to which is not due but is callable.

Mr. COOPER: Yes.

Mr. DONNELLY: What is that? When is that due?

Mr. COOPER: The issue is Canadian National Railways 5 per cent, forty-year guaranteed bonds.

Mr. DONNELLY: When is that due?

Mr. COOPER: The date of maturity is July 1, 1969, but it is callable in 1944. We can call it. If we call it, we have to pay a premium of 5 per cent. It has not been decided yet whether it will be called or not. So that, Mr. Harris, the maturities in the next five years amount to \$145,000,000. In 1938 we had a Refunding Act of \$200,000,000, and of that we have used up to the end of 1943 about \$150,000,000.

Mr. HARRIS: Have you still power to negotiate on the balance of the 1938 Act, the \$750,000,000 balance, or is that out?

Mr. COOPER: There is approximately a \$50,000,000 balance, yes.

Mr. HARRIS: The total excess that you have, by way of legislation over and above what you actually require, is \$50,000,000 from the 1938 Act and \$55,000,000 when this resolution goes through. Is that right?

Mr. COOPER: I am sorry, but I did not quite catch that.

Mr. HARRIS: Did I understand you to say that you have about \$50,000,000 left over from the 1938 authority?

Mr. COOPER: Yes.

Mr. HARRIS: Is that still in your hands, that authority?

Mr. COOPER: Yes.

Mr. HARRIS: Then when this bill goes through, you will also have an additional \$55,000,000, in addition to the 1938 \$50,000,000?

Mr. COOPER: We shall have \$50,000,000 under the 1938 Act and we shall have \$200,000,000 under the 1944 Act.

Mr. HARRIS: The \$200,000,000 will be dissipated to the extent of \$145,000,000. You have that earmarked now?

Mr. COOPER: Well, some of the 1944 maturities will be taken care of under the 1938 Act.

Mr. HARRIS: Some will be taken care of under the 1938 Act?

Mr. COOPER: Yes.

Mr. HARRIS: So that you are really projected through for the next six or seven years?

Mr. COOPER: Yes.

Mr. HARRIS: Mr. Chairman, I should like to make this deposition. The railway company, in my opinion, should be free to negotiate some of these securities which are carrying very heavy rates of interest, where perhaps the holder of the security is desirous of liquidating the said security. At the same time I make this observation in the case of securities that probably have not got the backing which would be considered 100 per cent. The officers are charged with the responsibility of making the best possible deal on such securities. What I am thinking about is that undoubtedly some of these securities are on parts of the railway lines or on parts of the railway assets which themselves are not a 100 per cent asset. They probably carry, on the other side of the books, liabilities. If they were put through the wringer, as the expression is, they might be bought back in at a much lower price. I think the company ought to be free to negotiate and clean up as many as possible of those 5 per cent and 6 per cent—some more than 6 per cent—securities that presently appear on your balance sheet.

Mr. VAUGHAN: That, of course, is very good advice, and we are proceeding as opportunity offers along those lines. We have up now with the Department of Finance the question of refunding that \$56,000,000 issue. It was not callable until 1944, but it can be called in any six-month period. We are now negotiating a rate of interest to refund that, but we have not arrived at a definite conclusion as yet.

Mr. HARRIS: While these rates are so low.

Mr. VAUGHAN: That is quite true.

Mr. HARRIS: I would say, speaking personally, that now is the time to clean up a lot of them.

Mr. VAUGHAN: Yes.

Mr. HARRIS: Mr. Chairman, the other questions I had in mind were questions which would ordinarily have gone on the order paper. The other chamber, as we all know, has a very heavy agenda. The source of the information is in those who appear before us now. I will run over the questions, and with regard to any of them which the officers presently here are able to answer without too much research, I would appreciate having those answers go on the record. It will avoid the necessity of cluttering up the work of the other chamber.

I have already supplied the management with a copy of the questions, and I will run over them rather hurriedly, or in order to save time, if you wish it, I will hand the copy in to the reporter.

Mr. VAUGHAN: I would suggest that you give a copy to the reporter. We have one here. There are some of the questions we can answer here and we shall be glad to do so. The others would take a long time to prepare.

Mr. HARRIS: Yes, I understand. If that meets with your approval, Mr. Chairman, I shall be glad to follow that procedure.

The CHAIRMAN: Quite so.

Mr. ROEBUCK: What is the general tenor of the questions?

Mr. HARRIS: The general tenor of the questions, Mr. Chairman, is as to what railway systems or companies were taken over by the C.N.R. and at what date did the C.N.R. commence operations, what amount was paid in cash, in guaranteed bonds and so on. That is the tenor of the questions. It is a matter of expediting it. If the chairman felt disposed to rule it out of order, it would mean putting them on the order paper.

Hon. Mr. MICHAUD: I agree with the procedure suggested.

The CHAIRMAN: I think that is a good idea. I think it is a good idea to get it cleared up.

Mr. HARRIS: Then I will hand a copy of the questions to the reporter.

Mr. HANSON (Skeena): Will the answers appear in the record too, Mr. Chairman?

The CHAIRMAN: Mr. Cooper is going to read the questions and answers.

(The questions referred to by Mr. Harris follow.)

1. At what date did the Canadian National Railways commence operations?
2. What railway systems or companies were taken over by the C.N.R. and what other subsidiary companies, steamship, hotels, telegraphs, etc. were taken over?
3. What was the total cost to the Canadian National Railway system in each case?
4. What amount was paid in each case—
  - (a) in cash
  - (b) in guaranteed bonds
 and (c) otherwise?
5. What is the total amount advanced to the Canadian National by the government of Canada—
  - (a) in cash out of Consolidated Revenue Fund,
  - (b) by special appropriation bills,

- and (c) by new securities, such as guaranteed bonds, debentures, stocks, etc.,  
from date of inception to December 31, 1942?
6. What were the deficits or surpluses each year to 1942—  
(a) on operation,  
and (b) after paying interest and other charges?
7. What was the total mileage of railway of all the companies taken over by the Canadian National system?
8. What was the total mileage of railway under operation by the Canadian National system on December 31, 1942?

Mr. COOPER: There are eight questions, and I think we can give now the answers to three of them. As to the remaining questions, it would take a considerable time to develop the full answers required. Question 1 is, "At what date did the Canadian National Railways commence operations?" I think the answer to that would be January 1, 1923.

Question No. 5 is "What is the total amount advanced to the Canadian National by the government of Canada (a) in cash out of Consolidated Revenue Fund; (b) by special appropriation bills, and (c) by new securities, such as guaranteed bonds, debentures, stocks, etc., from date of inception to December 31, 1942."

The information necessary to answer that question is given as an appendix to the public accounts in accordance with the Canadian National Railways Capital Revision Act of 1937.

Question 8 is, "What was the total mileage of railway under operation by the Canadian National system on December 31, 1942?" The answer given in our report for 1942 is 23,560 miles.

Hon. Mr. MICHAUD: That answers three of the eight questions.

The CHAIRMAN: Mr. Harris, I understand you would like the answers to the other questions to go on the record?

Mr. HARRIS: I think it would expedite things, and save a lot of fussing elsewhere.

The CHAIRMAN: Is that possible? Can we get the answers to these other questions so as to incorporate them in this record?

Mr. HARRIS: I will amend the questions in any way you say, in order to avoid a lot of unnecessary research.

Mr. COOPER: It will undoubtedly take considerable time to prepare the answers to these other questions. I think all we can do at the present time is to promise to do our best.

Mr. HARRIS: You can generalize.

Hon. Mr. MICHAUD: You would be satisfied with having the questions as soon as possible, Mr. Harris?

Mr. HARRIS: Yes. I think it is much easier to do it here than have the minister do it in the other chamber.

Hon. Mr. MICHAUD: All right.

Mr. McCULLOCH: Will that hold up the printing of the record?

The CHAIRMAN: It might go in as an appendix, I suppose. I do not know.

Hon. Mr. MICHAUD: No. It would hold up the printing of the proceedings of this committee if we had to wait until the replies were ready in order to complete the record. We shall have the questions on the record. You will be satisfied to have the answers whenever they are ready, Mr. Harris?

Mr. HARRIS: Yes.



Mr. DONNELLY: You could send a copy of the questions and answers to each member of the committee.

Hon. Mr. MICHAUD: All right. That is agreed.

The CHAIRMAN: All right, Mr. Vaughan. Shall we proceed with the budget?

Mr. VAUGHAN: Very well.

## CANADIAN NATIONAL RAILWAYS

Summary of Financial Requirements for the Year 1943 Compared with Amounts Budgeted, also Proposed Budget for the Year 1944.

	Page No.	1943 Budget	1943 Actual	1944 Budget
<i>Operating Budget</i>				
Cash Surplus .....	2	\$25,000,000	\$35,639,412	\$30,000,000

Mr. HARRIS: Is it your purpose to question as we go along, Mr. Chairman, or shall we come back?

Mr. VAUGHAN: Just as you wish.

The CHAIRMAN: Mr. Vaughan is prepared to answer any questions.

Mr. HARRIS: I should like to know what the management proposes to do with their surplus in the year 1944?

Mr. VAUGHAN: We would hand it back to the government, the same as we have done each year that we have had a surplus.

The CHAIRMAN: Gentlemen, I may say that I am a little bit deaf. It does not matter about me, but I fancy that other members of the committee are having difficulty in hearing the proceedings. I should like to appeal to the members to speak a little louder, if possible.

Mr. ROEBUCK: There must be some comment to be made in a general way, I should fancy when we see a budget of \$25,000,000 for 1943 and an actual expenditure of \$35,000,000.

Mr. McCULLOCH: No. That is gain.

Mr. VAUGHAN: That is \$15,000,000 better than we budgeted for.

Mr. ROEBUCK: Perhaps we had better wait until we get the whole thing. We will understand it better then.

Hon. Mr. MICHAUD: Yes.

Mr. ROEBUCK: All right.

The CHAIRMAN: Go ahead then, Mr. Vaughan.

Mr. VAUGHAN: Very well. Continuing:

	Page No.	1943 Budget	1943 Actual	1944 Budget
<i>Capital Budget</i>				
Additions and Betterments .....	3	12,200,000	\$ 4,103,569	\$18,611,500

Mr. HARRIS: On that question, how much of that will be indented from the Department of Munitions and Supply?

Mr. VAUGHAN: That is a very difficult question to answer.

Mr. HARRIS: How much was indented for the year 1943?

Mr. VAUGHAN: Have you any figures to show what amount of money we collected from the Department of Munitions and Supply in 1943?

Mr. HARRIS: I understand they are making box cars for you.

Hon. Mr. MICHAUD: No.

Mr. VAUGHAN: None of the capital budget of course, is collected from the Department of Munitions and Supply.

Hon. Mr. MICHAUD: The Department of Munitions and Supply does not make any box cars for us.

Mr. VAUGHAN: No.

Mr. HARRIS: I am sorry. I cannot hear that.

Mr. VAUGHAN: The Department of Munitions and Supply has nothing to do with our equipment or our box cars.

Mr. HARRIS: Quite so: But they are doing work for you now.

Hon. Mr. MICHAUD: No.

Mr. VAUGHAN: No. I do not think the Department of Munitions and Supply are doing any work for us. We are doing plenty of work for them.

Mr. HARRIS: Right. They are not doing any for you?

Mr. VAUGHAN: No.

Mr. HARRIS: Do you indent on them for any equipment of any consequence?

Mr. VAUGHAN: No, sir.

Mr. HARRIS: There is some confusion there.

Hon. Mr. MICHAUD: Except for priorities.

Mr. HARRIS: I do not mean that. I mean the actual article itself.

Hon. Mr. MICHAUD: No.

Mr. WALTON: There is the munition works.

Mr. VAUGHAN: There is a company, Mr. Harris, known as National Railway Munitions at Point St. Charles which is purely a government-owned company.

Mr. HARRIS: Right.

Mr. VAUGHAN: Which we operate on a free basis for them.

Mr. HARRIS: Yes. That company is doing work for the Canadian National Railways system as well as for the Department of Munitions and Supply?

Mr. VAUGHAN: No, sir. It is not doing any work for the Canadian National Railways. On the other hand, the Canadian National Railways is doing work in its shops for the Department of Munitions and Supply.

Mr. HARRIS: Yes. I understand that.

Mr. NICHOLSON: Were the men employed in this munitions branch included in the total number of employees you gave yesterday?

Mr. VAUGHAN: No.

Mr. NICHOLSON: You have some of your regular employees transferred?

Mr. VAUGHAN: Some went over to the National Railway Munitions, when the plant started.

Mr. NICHOLSON: You protect their seniority, do you not?

Mr. VAUGHAN: Yes.

Mr. NICHOLSON: Have you any idea as to how many that would be?

Mr. VAUGHAN: I would say there would probably be 100 of our men there.

Mr. WALTON: Yes; between 100 and 120.

Mr. NICHOLSON: Of your permanent employees.

Mr. WALTON: On loan to munitions.

Mr. HARRIS: There are some crown companies producing box cars and some other railway equipment at the present time.

Mr. VAUGHAN: I do not think so. The only companies producing railway equipment are the Eastern Car Company of New Glasgow, which is owned by the Dominion Steel and Coal Company; the Canadian Car and Foundry Company, and the National Steel Car Company at Hamilton. The producers of locomotives are the Canadian Locomotive Works at Kingston, the Montreal

Locomotive Works at Montreal, none of which have any connection with the crown except to the extent that they may be doing other work for the crown.

Mr. HARRIS: I will reserve any further questions I may have.

The CHAIRMAN: Will you proceed, Mr. Vaughan.

Mr. VAUGHAN: Very well.

	Page No.	1943 Budget	1943 Actual	1944 Budget
Acquisition of Securities .....	3	\$ 1,294,300	\$ 235,735	\$ 1,921,000
Retirement of Maturing Capital Obligations, including Sinking Fund and Equipment Principal Payments .....	4	9,552,000	9,353,597	9,117,000
Less—available from Reserves for Depreciation and Debt Discount Amortization...	—	17,000,000	19,570,228	19,100,000
		\$ 6,046,300	\$ 5,877,327	\$10,549,500
New Equipment—Hire-purchase agreement with Dominion Government .....	5	43,916,394	18,852,007	41,597,554
Total Capital Budget .....	==	\$49,962,694	\$12,974,680	\$52,147,054
<i>Statutory Authorization</i>				
Trans-Canada Air Lines Capital Stock.....	==	\$ 400,000	.....	\$ 400,000

Mr. HARRIS: Would the president make any deposition as to the recommendation made by the auditors with regard to setting up a depreciation account? That is found in the auditors' statement, probably. It deposes there that the management feels disposed to leave it until after the war and when peace comes.

Mr. VAUGHAN: You are referring, I presume, to the depreciation on fixed property.

Mr. HARRIS: Right—capital property.

Mr. VAUGHAN: That has not been recommended by our auditors. We covered that pretty fully in the annual report last year and there has been no change since that time. We are not accruing at the present time depreciation on fixed property; that is being taken care of by retirement accounting.

Mr. HARRIS: The auditors recommend, "That the adoption by the Canadian lines of depreciation accounting for road properties, under any specific plan, be made contingent upon the establishment by the dominion government of uniform accounting regulations, of a mandatory character, applicable to Canadian railways. It is our considered opinion that such governmental regulations, to which we have made reference for several years, should be established as early as possible in the post-war period."

Peace may not be declared for ten years. In the meantime you have high earnings and you have an opportunity to establish this reserve account. How would you interpret that considered opinion, "as early as possible in the post-war period"? It is not very definite.

Mr. VAUGHAN: That would require a great deal of valuation, Mr. Harris.

Mr. HARRIS: Quite. I understand.

Mr. VAUGHAN: We have not got all our individual properties valued. The American railroads spent two or three hundred million dollars in doing that, and although they had authority to put in depreciation on that account for many years they did not do it.

Mr. HARRIS: May I interrupt you there? Under the Interstate Commerce Commission they have been doing that for thirty years?

Mr. VAUGHAN: No. They have had depreciation on equipment but not depreciation on fixed property.

Mr. HARRIS: We even have not got that to the same extent as they have?

Mr. VAUGHAN: They have had authority, as I say, to put into effect that depreciation on fixed property for a good many years and had valuations to do that but they did not do it until this tax situation came along. That is considered by a good many in the United States as what they call expediency accounting. I think that is something we will consider immediately after the war when we have the men and facilities available to make a valuation of our property, and we will then consider what is the desirable thing to do.

Mr. HARRIS: Just to close this, Mr. Chairman, I wonder if it would be asking too much that when the statements come down another year a little bit more be said about the policy with regard to depreciation, not only on equipment, but on capital structure also?

Mr. VAUGHAN: I do not know whether you had the opportunity to read our 1942 report but it is very fully set out on page 2 of our 1942 report as to what our policy is and the reason for it.

Mr. HARRIS: What success have you had in pursuing that policy? To my mind this clause kind of dampens the enthusiasm that was engendered in the 1942 report, this last sentence, "should be established as early as possible in the post-war period". That dismisses the 1942 report, as I view it.

Mr. VAUGHAN: I might read just for a moment, if you will permit me, Mr. Chairman and Mr. Harris, an extract from the 1942 report. It says:

A recent order of the commission, however, prescribes the adoption by United States railroads, effective January 1, 1943, of depreciation accounting for certain classes of fixed depreciable property including buildings, stations, shops, bridges, etc., but excluding the track structure (rails, fastenings, ties, ballast) which will remain on the retirement basis.

Mr. HARRIS: I understand that.

Mr. VAUGHAN:

This order will be followed by the United States lines of the system but it is not intended at this time to extend it to the Canadian lines of the system. The change constitutes an important departure from a long established practice and it seems advisable to wait until the experience of the United States carriers is available. In any event compilation of the data necessary to permit its adoption would involve a large amount of work on the part of the technical officers of the railway, and it is not reasonable that work of this nature should be undertaken at this time when there are more important things to be done.

Mr. HARRIS: Quite.

Mr. VAUGHAN: That is the way we left it.

Mr. HARRIS: I am quite in accord with that, but what dampened my enthusiasm was that they have shifted the position now from the experience of the United States lines to the position, "as early as possible in the post-war period". I agree with the 1942 report.

Mr. COOPER: In the auditors' report, Mr. Harris, they do not recommend the adoption by the Canadian National Railways of depreciation accounting on fixed property. What they do say is—I am reading at the foot of page 2—

In any event, we recommend that the adoption by the Canadian lines of depreciation accounting for road properties, under any specific plan, be made contingent upon the establishment by the dominion government of uniform accounting regulations, of a mandatory character, applicable to Canadian railways. It is our considered opinion that such governmental regulations, to which we have made reference for several years, should be established as early as possible in the post-war period.

I believe that what the auditors there are recommending is uniform accounting, and the adoption of the depreciation accounting should be contingent upon the adoption of uniform accounting.

Mr. HARRIS: I quite agree with that. What I did not like was that it should be established as early as possible in the post-war period. If you put a period after "several years" why the report is in order and we will meet the problem each year until we get somewhere on it.

Mr. VAUGHAN: That question of uniform accounting has been up for a great many years, but we have not been able as yet to make very much progress on it.

Mr. HARRIS: Quite, it is a big problem.

The CHAIRMAN: Proceed, Mr. Vaughan, please.

Mr. VAUGHAN: Total capital budget, 1943, \$49,962,694; 1943 actual \$12,974,680; 1944 budget, \$52,147,054. Statutory authorization, Trans-Canada Air Lines capital stock, \$400,000, 1944, \$400,000.

The next page is a comparative statement of net income results for the years 1943 and 1944 which is a breakdown of the first item on the first page of the statement I have just read. Would you like me to read this, Mr. Chairman?

The CHAIRMAN: It is up to the committee.

## CANADIAN NATIONAL RAILWAYS

## Comparative Statement of Net Income Results for Years 1943-1944

	1943 Budget	1943 Actual	1944 Budget
<i>Net Income Results</i>			
Operating Revenues, excluding 20% contribution, M.F.R. Act .....	\$395,025,000	\$435,783,047	\$417,140,000
Contribution from Government under Maritime Freight Rates Act (20%) .....	4,500,000	4,140,863	4,000,000
Government Share of Operating Account, P.E.I. Car Ferry and Terminals.....	475,000	692,045	560,000
Total Railway Operating Revenues.....	400,000,000	440,615,955	421,700,000
Railway Operating Expenses.....	311,500,000	324,475,670	333,200,000
Net Operating Revenue.....	88,500,000	116,140,285	88,500,000
Operating Ratio .....	77.88%	73.64%	79.01%
Revenue appropriated for Pension Reserve.....	—	19,069,000	—
Net Operating Revenue after appropriation for Pension Reserve .....	88,500,000	97,071,285	88,500,000
Other Income .....	12,932,000	11,768,829	10,351,000
Net Available for Interest.....	75,568,000	85,302,456	78,149,000
<i>Interest Charges</i>			
Interest due Public on Long Term Debt.....	31,268,000	30,998,196	28,191,000
Interest on Dominion Government Loans for Capital and Refunding.....	19,300,000	18,664,848	19,948,000
Total Interest Charges.....	50,568,000	49,663,044	48,149,000
Cash Surplus .....	\$ 25,000,000	\$ 35,639,412	\$ 30,000,000

NOTE: The 1944 Budget includes \$1,748,000 for Contribution to Deficit of I.C.R. & P.E.I. Provident Fund and \$100,000 for Contribution to Grand Trunk Railway of Canada Superannuation and Provident Fund Association.

(Page 2 carried).

Mr. VAUGHAN: The third sheet is a comparative statement of capital expenditures for the years 1943, 1944. That also is a breakdown of the figures I have given you previously.

CANADIAN NATIONAL RAILWAYS  
Comparative Statement of Capital Expenditures  
Years 1943-1944

	1943 Budget	1943 Actual	1944 Budget
<b>Additions and Betterments</b>			
Atlantic Region .....	\$ 1,369,263	\$ 607,834	\$ 1,281,529
Central Region .....	5,050,567	2,933,036	7,709,461
Western Region .....	3,548,526	721,821	2,691,719
Grand Trunk Western Railroad Company .....	363,279	26,010	909,052
Central Vermont Railway, Inc. ....	124,909	12,244	118,854
Montreal Terminal Construction .....	363,568	258,454	313,000
P.E.I. Car Ferry and Terminals .....	35,700	6,637	48,700
Subsidiary Companies .....	146,814	165,529	317,255
General, including Additions and Betterments to equipment .....	2,715,268	885,195	3,381,181
	<hr/>	<hr/>	<hr/>
Equipment purchases .....	12,717,894	5,261,214	16,770,751
Equipment retirements .....	943,862	1,454,181	1,034,100
	<hr/>	<hr/>	<hr/>
Total Additions and Betterments less Retirements .....	\$ 12,200,000	\$ 4,103,569	\$ 18,611,500
<b>Acquisition of Securities</b>			
<i>Toronto Terminals Railway</i>			
Joint with Canadian Pacific Railway Co. general Additions and Betterments — C.N.R. proportion 50% .....	\$ 100,000	.....	\$ 100,000
<i>Northern Alberta Railways</i>			
Joint with Canadian Pacific Railway Co. general Additions and Betterments — C.N.R. proportion 50% .....	1,050,000	250,000	500,000
Debt redemption—C.N.R. proportion 50% .....	.....	.....	1,210,000
<i>Chicago and Western Indiana Railroad</i>			
Advances under agreement of March 1/36 ..	144,300	142,863	143,000
<i>Detroit &amp; Toledo Shore Line Railroad</i>			
Reduction in ledger value of Capital Stock, by application of amounts of special dividends received .....	.....	225,000	42,000
<i>Atlantic and St. Lawrence Railroad</i>			
Purchase of Capital Stock .....	.....	67,872	10,000
	<hr/>	<hr/>	<hr/>
	\$ 1,294,300	\$ 235,735	\$ 1,921,000
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The CHAIRMAN: Carried?

Mr. HARRIS: Before you carry that page will \$100,000 be sufficient for the betterment in the Toronto Terminal Railways due to the big development going on in the industrial area of the harbour?

Mr. VAUGHAN: That is the figure that has been put in by the management of the Toronto Terminal Railway as what they require for the year 1944. It was gone over very carefully by our engineers in Montreal and the amount was approved of as being a satisfactory amount.

Mr. DONNELLY: \$200,000; this is 50-per cent.

Mr. HARRIS: Just for a moment I should like to make a statement and leave it on the record. When the plans were first developed about 1917 at the easterly end of the Toronto terminals development, namely the Don river, there was a plan made and projected for a bridge across into the sorting yards from the westerly side of the Don to the easterly side. Meanwhile there was a temporary structure on the right of way of what is known as Keating street. They used the temporary structure in the meantime, and that structure which was surveyed and supposed to have gone into the sorting yards in 1917 has never yet been built. We have been through difficult periods, we understand, but the net result of the whole matter is that we have been using a temporary structure

with very considerable derailments, great delays in holding up traffic, ingress and egress to the properties to the north of Keating street, due to the fact that the structure was not put in place where it was first proposed.

Unfortunately in February of this year the Don river caught on fire due to oil from oil refineries in the neighbourhood. The hazard there is of tremendous proportions for the reason that it is surrounded on all sides by oil refineries, the Imperial Oil, British American Oil, and McColl-Frontenac. If it had really got out of control the disaster would have been of great magnitude in that whole area. It more or less hinges on the fact that the original intention of the Toronto terminals was not carried out in making the proper approach to that sorting yard. I bring it to the attention of the management. \$100,000, of course, would not begin to repair and put that in.

Mr. VAUGHAN: No, that was not in contemplation.

Mr. HARRIS: It would not put it in proper condition. As a matter of fact, I think the cost to the Canadian National Railways of the fire that did happen there on the Don river will probably exceed even this figure here whereas if the 1917 proper plan had been put through that might have been averted. It is a question what was the cause of the fire. Some think it is from the dumping of the ash cans of the engines over the bridge structure. It is a problem as to what actually happened, but had conditions in Canada been such that that proper betterment had been put in at the time, apart from the inconvenience to the public due to them using the right of way of the street and using the old temporary structure, we would have had a job which would have facilitated the movement of freight in that area and at the same time have a proper betterment to the system there. I mention that now, Mr. Chairman, because in these days of rising revenues, and due to the importance of the work which is being carried on in that great industrial area, the management might feel disposed to give some consideration to carrying out their original plan. I might say in the sortation yard they find it necessary each morning to shunt their cars and use the street itself for the sortation of cars with the result that scores and scores of employees going to their work in the morning between the hours of seven and ten are held up. I do not want to reflect on the crews; they do the best they can to let traffic through but they are held up. There is a line-up there every morning. I have to traverse the same area four times a day when I am in Toronto so I know what I am talking about. It is all due to not carrying out the original sorting yard idea that was blueprinted and approved as far back as 1917. The next thing that is going to happen there in this sortation of cars on the main highway—and it is a main highway because it is a continuation of Fleet street—is that as sure as we are sitting here there is going to be a serious accident in that area. I bring that to your attention.

Mr. VAUGHAN: We will certainly look into it thoroughly. I do not know whether you have any reports on it, Mr. Walton?

Mr. WALTON: I have nothing on it at the moment. I might just add, of course, that the \$100,000 is purely the joint terminal expenditure apart from the separate railway expenditure in the terminal.

Mr. HARRIS: I quite understand that, but it was an opportunity to bring this to your attention.

Mr. NICHOLSON: I should like to ask the president what the plans are for construction in the western region this year. I have had some correspondence in connection with the building of a new station at Nut Mountain, Saskatchewan. This correspondence has extended over several years. Owing to the shortage of material and labour the question of building a station and living quarters has been postponed from time to time. My information now is that the house the

agent is living in is the only house in the community which is available for rent and it has been sold, and as happened on a previous occasion, the agent's family will have to live in the nearest town. Now that materials are not quite so tight and there are more men available in the building trades what is the policy in connection with new building in 1944?

Mr. VAUGHAN: Is there anything in our budget for that?

Mr. WALTON: I was just looking to see if there is a separate item.

Mr. VAUGHAN: I remember we heard from you and we asked for a report from our vice-president in the west. I do not recall what the reply was or whether it was put in the budget.

Mr. NICHOLSON: What is your general policy?

Mr. VAUGHAN: Our general policy during the war is not to spend any money that will use material that is needed for war purposes unless it is absolutely necessary.

Mr. NICHOLSON: How much of these items for additions and betterments will go toward providing new stations and living quarters?

Mr. WALTON: There are very few items for new stations this year.

Mr. NICHOLSON: There are very few?

Mr. WALTON: Yes.

Mr. NICHOLSON: It has been pointed out that the C.P.R. were able to build a new station in the same area where the same situation exists as far as material and lumber are concerned. I have difficulty in explaining why the C.P.R. can find new materials and the C.N.R. cannot.

Mr. VAUGHAN: What was the name of that station?

Mr. NICHOLSON: Nut Mountain.

Mr. VAUGHAN: I remember the correspondence.

Mr. DONNELLY: Has there been a station there before?

Mr. NICHOLSON: Just a small box car arrangement, and the information I have is there is a lot of business.

Mr. WALTON: It is quite a grain shipping point.

Mr. VAUGHAN: I will take that up right away.

The CHAIRMAN: Carried. Next sheet.

Mr. ROEBUCK: Tell us what the additions and betterments to equipment are? Is that just cars?

Mr. VAUGHAN: That is cars and locomotives that we propose to order and have delivered during the year.

Mr. ROEBUCK: That is good news.

Mr. VAUGHAN: Locomotives, and various kinds of freight equipment, box cars, hopper cars.

Mr. DONNELLY: These general additions and betterments to the northern Alberta railway are just the same thing? You are not putting in a new railway line there?

Mr. VAUGHAN: No. We, as you know, have a joint interest in that line with the Canadian Pacific Railway.

Mr. DONNELLY: You are not extending your lines at all?

Mr. VAUGHAN: No.

Mr. EMMERSON: In the equipment for 1944 I see an item of twenty of the Mountain type locomotives. What difference is there between that type and the Northern. You had the Northern type in 1943?



Mr. VAUGHAN: The difference is in the wheel arrangement. The Northern type is 4-8-4 and the Mountain type is practically the same only it has got two less small wheels.

Mr. EMMERSON: Is it used for express or freight?

Mr. VAUGHAN: It is used for both. It is interchangeable for both freight or passenger. It is not quite as heavy a locomotive as the Northern type.

Mr. HARRIS: Mr. Chairman, is there any portion of this item "general, including additions and betterments to equipment, \$3,381,181," that might be applied to help the generally congested conditions in the city of Toronto or must that go through the Toronto terminals?

Mr. VAUGHAN: This item here which you refer to of \$3,381,181, additions and betterments to equipment, comprises a large number of things mostly new appliances for locomotives and cars to increase their efficiency.

Mr. HARRIS: What I am thinking about, Mr. Chairman, is this. As we all know, traffic is tremendous just at the present time. In the Union station at Toronto the service given by the employees is splendid. There is no complaint at all. They are doing the very best they can and are doing a wonderful job. They found it necessary to take out certain equipment that was in the station such as benches where people could rest while they were waiting on trains, on account of the congestion. The net result of that is that people find it necessary to stand in line waiting for their train to be placed on the track. There was one experience a year ago where people stood from 10.30 p.m. until 2.30 the next morning. That was March 8th of last year. It was a condition that the railway could not help because there had been a blizzard on that particular day which froze up all the frogs and they could not get their trains placed. Three people collapsed in the line, which is not a great number, but at the same time the equipment was not in there where they could be laid out on benches and they had to drag them out and put them into an anti-room. We are going to have this crowded condition for some time, and I cannot see in the ambit of that \$100,000 where you can do much about it. I was wondering if there was anything in this other vote of \$3,381,000 where you would have access to providing some extra facilities to take care of the rush of traffic which exists at the present time. It is a serious problem. The staff is doing its very best, but this is a problem that has to be faced.

Another suggestion I would make has to do with necessary traffic, and I speak of the armed forces particularly. I think the citizens of Canada should step aside and give preference to those who must be at their posts the next day, people who have been home on leave; and I think the general public should step aside and take second place to the troops as is done in some parts of the United States. Our Canadian people have not been so generous. Quite true, the young people can stand better than some of the older ones, but I am firmly of the opinion that many of the older ones should not be travelling. They could just as well stay at home.

Mr. VAUGHAN: I am entirely of the opinion that the first consideration should be given to those who are in uniform, and we do so as far as we can, but what the public do is very hard to control.

Mr. HARRIS: I know, but I have got it on the record for public consumption. With regard to the other point about equipment, what is there in that?

Mr. HARRIS: All the benches were taken out on account of congestion.

Mr. VAUGHAN: Is it your idea that we should put some of those benches back again?

Mr. HARRIS: Are there any rest-room facilities, or could the Toronto terminals provide some rest-room facilities more than are presently available for people who have to wait two or three hours?

Mr. WALTON: I do not think there is any space left for any more rest-room facilities than are available now, and the very reason for taking out the settees in the lower concourse was to give as much space for people as possible.

Mr. HARRIS: Quite right.

Mr. WALTON: To do anything more would appear to be a major job. I do not know just what could be done.

Mr. HARRIS: Perhaps a survey might be made to find out how some little relief could be given.

Mr. VAUGHAN: We will be glad to go into the matter. I do not think anyone could appreciate the crowded situation in the Toronto station at week ends unless he has seen it, and you have seen it. We were afraid of accidents. People were crowding in on top of each other and falling over these benches, and that was the reason some of them were removed.

Mr. HARRIS: I agree with you.

Mr. ROEBUCK: Could not the benches be put upstairs out of the way?

Mr. WALTON: There are benches on the upper concourse.

Mr. ROEBUCK: I am thinking of the righthand side as you go in, there is a waiting room there.

Mr. WALTON: At times they fill the lower concourse and what you might call the main one. The whole space is crowded.

Mr. NICHOLSON: And are the people standing?

Mr. WALTON: They are there as thick as they can be, taking up all space.

Mr. HARRIS: The eastern end of the concourse is vacant practically all the time. That might be used.

Mr. ROEBUCK: That is what I was thinking of. Some space might be found in one part or the other where you might put some benches.

Mr. VAUGHAN: We will make a thorough investigation.

Mr. ROEBUCK: There is another phase of this matter that has some reference to what Mr. Harris has been saying. In the past when things were less normal than they are now—because I think they are normal now; we should always have a great deal of travel, although much of it is due at the present time to military travel; but in the old days when there were few people on the trains that was an abnormal picture—but in those periods we had the sale of seats so that people could reserve seats and go down in a quiet way to the train and thus avoid all this nervous strain of standing in line. Now, we have abolished the chair car and the reserved seats. It was necessary, no doubt, to abolish the chair car because the chair car was wasteful in space. But I wonder whether it was necessary to abolish the reserved seats. We have at the present time a number of types of cars, passenger cars, some of which are splendid, of great capacity and very comfortable, and then these cars grade off until you come to the old fellows that seem to have been made just after the ark. Those cars are of wooden construction and they are dangerous and they are very uncomfortable. Would it not be possible to re-establish the sale of the seats? Perhaps you could sell the better ones first and grade down as your quality of car decreases in value and comfort. Why would it not be possible to sell a man a seat rather than ask him to stand in line for hours to get a seat?

Mr. VAUGHAN: That has been a question which has been under much consideration and we have studied it from every angle. Before, as you know, we did reserve and sell seats only in parlour cars; we have never sold seats at any time in what we call first-class coaches.

Mr. ROEBUCK: No, but they are doing that in the United States.

Mr. VAUGHAN: Yes, on some of their trains they are doing that.

Mr. ROEBUCK: On the Empire State Express they are doing it.

Mr. VAUGHAN: Yes, it can be done much easier where you have a through train, but where we have a lot of passengers getting on and off at intermediate points we would have to hold certain seats for passengers getting on at intermediate points.

Mr. ROEBUCK: In big trains like these you could put people in certain cars just as well as you can spread them through all the cars.

Mr. VAUGHAN: Yes, except that if you are going from Montreal to Toronto you would not like to see space reserved for someone to get on at Kingston or Belleville. The cars are so crowded that we have been compelled to use the space all the way and get the maximum occupation of them. It is a very difficult problem and Mr. Walton and I have studied it from every angle. We have gone into it with our passenger people, and we cannot see that any change is practicable as applied to conditions at the present time.

Mr. ROEBUCK: Of course I am not advocating giving something to the public for nothing.

Mr. VAUGHAN: I realize that.

Mr. ROEBUCK: I am proposing that they pay for it.

Mr. VAUGHAN: Quite true.

Mr. ROEBUCK: And if the service is worth while it should be paid for.

Mr. WALTON: It would take more staff to handle, and that is a serious point.

Mr. ROEBUCK: Girls can do the selling of tickets and that kind of work just as well or better than men.

Mr. WALTON: We have employed a lot of girls but they need to be broken in.

Mr. McCULLOCH: That would not be fair to the ones who could not afford to pay for those seats. They have as much right to comfort in the cars as the ones who can pay for the seats.

Mr. VAUGHAN: We might have trouble with the troops. They might complain, because they might all be huddled in one car where there was a tremendous crowd while other people who were able to pay were occupying nice seats in another car.

Mr. ROEBUCK: That applies to reserve seats any place in the country. It applies to sleeping cars. Why don't you have a rush to obtain sleeping cars instead of selling them?

Mr. VAUGHAN: We are going as far as we can to give the best facilities possible to the public under existing conditions. That is a matter for the Transport Controller. It was under his direction that we took the parlour cars off, and we would have to get approval from the Transport Controller or from the Board of Transport to charge for seats in coaches.

Mr. EMMERSON: I suppose it would be out of the question to have additional trains, spaced at different times. The greatest congestion I have seen in Toronto was at certain hours at night and in the morning. At such times trains are crowded. Is there any way of getting additional trains at certain hours?

Mr. WALTON: Your whole train service is built up to a great extent on connections, and the trains need to be run at approximately the times that they are operated for the greatest convenience. Then, of course, you have congestion at Toronto that you do not experience at any other point, because it is only at a point where you have the traffic of two railroads combined in the one station that this occurs.

Mr. SANDERSON: Is not the whole problem due to the military situation. You are doing good work—not only you but the C.P.R. also. The whole trouble is that there is a war on.

Mr. VAUGHAN: The congestion is undoubtedly brought about by war conditions.

Mr. NICHOLSON: There is quite a large increase in this item. Could the president make some statement about the general situation with regard to available materials?

Mr. VAUGHAN: Which item is that?

Mr. NICHOLSON: General, including additions, betterments and equipment.

Mr. ROEBUCK: I do not think we should end this discussion with regard to improving conditions on the trains by simply saying that we are in a war. It is true that we are, but that does not mean that the greatest of energy and concentration should not be placed on the giving of the best possible service, notwithstanding the war. I do not bring this up as a matter of criticism.

Mr. VAUGHAN: I realize that.

Mr. ROEBUCK: I bring it up rather with the hope that perhaps conditions which are not ideal might be improved.

Mr. VAUGHAN: We will be glad to go into that and see whether there is anything more we can do. We certainly want to relieve the discomfort of the travelling public as much as we possibly can. I do not believe that the Transport Controller would permit us to sell seats. However, we will be very glad to go into the matter again.

Mr. ROEBUCK: I suppose the greatest concentration of passengers in on this line to Ottawa. I understand that the trains to Montreal are by no means as badly crowded as they are on this Ottawa line. I suppose the reason for that is that there are so many servicemen brought a part of the way and transferred at Carleton Place to Petawawa. I wonder whether it would be possible to take through cars to the camp instead of having them changed at Carleton Place.

Mr. WALTON: I do not know about Carleton Place, that is a Canadian Pacific point, but we did that with regard to a number of movements. For instance, when there is a military movement out of Kingston a section of the 3 o'clock train that leaves here for Toronto is operated separately out of Kingston so as to take as much of the load as possible off the regular train.

Mr. ROEBUCK: Had it not been for that condition, conditions would have been intolerable on the regular trains.

Mr. WALTON: That is done in any case where equipment can be made available and where such a condition exists. It is true that travel is extremely heavy between here and Toronto, but I think probably Mr. McCulloch would disagree with you that it is the heaviest point; travel on the maritime trains is exceptionally heavy.

Mr. ROEBUCK: Of course, I do not know that.

The CHAIRMAN: It is pretty heavy between here and Winnipeg.

Mr. WALTON: Yes, and so it is all over. It is a case of heavy traffic everywhere.

Mr. VAUGHAN: We will go into that matter again.

Mr. NICHOLSON: Before you leave that point I would like to refer to this item of General including additions and betterments and equipment: Are you going to get some additional coaches this year?

Mr. VAUGHAN: We cannot get any new passenger equipment. We would like to get new coaches. We have applied for them but we have to get priorities for new coaches both from the United States and Canada, as quite a few of the

parts for passenger cars have to come from the States, and they are not allowing passenger cars to be built either in the United States or Canada today.

The CHAIRMAN: Let us go to page 4.

## CANADIAN NATIONAL RAILWAYS

Comparative Statement of Maturing Capital Obligations, Sinking Fund and Equipment Principal Payments. Years 1943-1944.

	1943 Budget	1943 Actual	1944 Budget
<i>Retirement of Maturing Capital Obligations</i>			
Indebtedness to State of Michigan re Wider Woodward Avenue, Detroit .....	\$ 430,000	\$ 429,529	\$ 430,000
	\$ 430,000	\$ 429,529	\$ 430,000
<i>Sinking Fund Payments</i>			
2% Canadian National Rlys. Guar. Deb. Stock (1927) .....	\$ 397,792	\$ 218,808	.....
4% Saint John & Quebec Rly. 1st Mtge. Deb. Stock .....	6,735	6,484	6,485
	\$ 404,527	\$ 225,292	\$ 6,485
<i>Equipment Principal Payments</i>			
5% Can. National Rly. Equip. Trust Series "K"....	1,200,000	1,200,000	1,200,000
4½% Can. National Rly. Equip. Trust Series "L"....	1,050,000	1,050,000	1,050,000
2½% Can. National Rly. Equip. Trust Series "O"....	1,430,000	1,430,000	1,430,000
2½% Can. National Rly. Equip. Trust Series "P"....	500,000	500,000	500,000
2½% Can. National Rly. Equip. Trust Series "Q"....	650,000	650,000	650,000
3% Purchase of Rly. Equip. 1936 (Dom. Govt.)....	517,173	517,173	517,173
3½% Purchase of Rly. Equip. 1940 (Dom. Govt.)....	991,968	991,968	991,968
3½% Purchase of Rly. Equip. 1941 (Dom. Govt.)....	1,401,141	1,382,635	1,382,634
5% Cent. Vermont Rly. Inc., Equip. Trust 1929....	124,000	124,000	113,000
5% Grand Trunk Western Rly. Equip. Trust 1929....	283,000	283,000	276,000
2½% Grand Trunk Western Rly. Equip. Trust 1941..	570,000	570,000	570,000
	\$ 8,717,282	\$ 8,698,776	\$ 8,680,775
	\$ 9,552,000	\$ 9,353,597	\$ 9,117,000

NOTE.—No provision has been made in the 1944 Budget for semi-annual Sinking Fund payments of \$250,000 each July 1, 1944, and January 1, 1945, for Canadian Northern Railway Company 6½% Sinking Fund Bonds, as these amounts, in the judgment of the Management, will not be required.

Mr. VAUGHAN: Perhaps I should qualify what I said by saying that we have in the budget some passenger cars but we have not been able to get priorities on them as yet. We may be able to do so during the year. We will come to that later.

The CHAIRMAN: Page 5, new equipment under dominion government hire-purchase agreements. Is there anything on that?

## CANADIAN NATIONAL RAILWAYS

New Equipment under Dominion Government Hire-Purchase Agreements

	1943 Budget	1943 Actual	1944 Budget
1941 Program—Order in Council P.C. 3433, May 14, 1941 .....	\$11,703,894	\$11,426,281	.....
1943 Program—Original proposal included in the Budget was \$32,212,500. This program was later revised and approved for \$27,000,000, under Order in Council P.C. 7721, Oct. 5, 1943.....	32,212,500	7,425,726	18,806,654
1944 Program—Orders in Council: P.C. 7722, Oct. 5, 1943, P.C. 8996, Nov. 23, 1943, P.C. 1721, March 16, 1944 .....	.....	.....	22,790,900
Total Equipment Purchases under Hire-Purchase Agreements .....	\$43,916,394	\$18,852,007	\$41,597,554

## DETAILS OF ABOVE FOR 1943 AND 1944

## 1941 Program

	Units			
	1943	1944		
Northern type locomotives .....	5			
Box cars (40-ton) .....	1,950			
Box baggage cars (40-ton) .....	50			
Gondolas (7-ton) .....	237			
	<hr/>			
	2,242		11,426,281	

## 1943 Program

Northern type locomotives .....	23	7		
Box cars (40-ton) .....	288	2,762		
Flat cars (50-ton) .....	....	200		
Hopper cars (70-ton) .....	250	500		
Freight refrigerator cars .....	100	200		
	<hr/>	<hr/>		
	661	3,669	7,425,726	18,806,654

## 1944 Program Proposed

Mountain type locomotives .....		20		
Box cars (40-ton) .....		2,000		
Ore cars (50-ton) .....		250		
First-class coaches (air-conditioned) .....		50		
Sleeping cars (air-conditioned) .....		30		
Dining cars (air-conditioned) .....		10		
Baggage cars .....		25		
		<hr/>		
		2,385	.....	22,700,900

Mr. VAUGHAN: You will see under 1944 that there are some passenger cars there.

Mr. EMMERSON: You spoke of having difficulty in getting passenger cars and coaches. Do you have to get some of that equipment from the United States?

Mr. VAUGHAN: Some of the parts come from the United States. Most of the material is available in Canada. But apart from that fact whether it is for freight cars or passenger cars, whether they are built entirely in Canada or not, we have to get priorities from Washington as well as Canada, and the reason is that the United States is shipping into Canada tremendous quantities of steel every month on allocations, and they are not going to permit the steel to be used on box cars built in Canada or for any other purpose unless they approve of it.

Mr. NICHOLSON: Dining cars. I think you purchased some dining cars for use in the maritimes that operated a buffet as well?

Mr. VAUGHAN: We converted some cars.

Mr. NICHOLSON: How has that worked out? Are you planning to extend that type of car?

Mr. VAUGHAN: It has worked out quite satisfactorily.

Mr. WALTON: We have recently turned out a car which is partly a lunch car and partly table accommodation. Mr. Hanson may have seen that.

Mr. HANSON (*Skeena*): And an observation car also?

Mr. VAUGHAN: Not the same as that, but an adaptation of that idea.

Mr. NICHOLSON: On the American lines they are using a type of car which saves the use of linen and they handle more passengers.

Mr. ROEBUCK: They are doing it on the T.N.O. railway; they have a splendid system there.

Mr. VAUGHAN: That is true. We are adopting these new types of cars and the simplified services to enable us to serve people more quickly.

Mr. HANSON (*Skeena*): You had some cars converted—mail and baggage cars?

Mr. VAUGHAN: Yes.

Mr. HANSON (*Skeena*): How many were converted in the west?

Mr. WALTON: I think four.

The CHAIRMAN: Page 6.

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

Comparative Statement of Net Income Results  
Years 1943-1944

	1943 Budget	1943 Actual	1944 Budget
<i>Estimated Net Income from Operation</i>			
Operating Revenues .....	\$ 3,317,000	\$ 4,319,419	\$ 4,660,000
Subsidies to be received from the West Indies Colonies in conformity with Trade Agreement entered into with the Government of the Dominion of Canada .....	100,000	172,770	185,000
Total Revenues .....	3,417,000	4,492,189	4,845,000
Operating Expenses .....	2,320,000	3,188,579	3,754,000
Net Operating Income .....	1,097,000	1,303,610	1,091,000
Interest Requirements on 5%—25-Year Bonds issued in 1930; Principal Amount \$9,400,000..	470,000	470,000	470,000
Exchange Premium on Bond Interest .....	52,000	51,700	52,000
Interest on Government Notes and Advances..	347,000	343,073	338,000
Net Income .....	\$ 228,000	\$ 438,837	\$ 231,000

Mr. WALTON: This refers to Canadian National (West Indies) Steamships, Limited.

The CHAIRMAN: That is the end of the budget.

Mr. McCULLOCH: I move that the budget be adopted.

(Carried.)

The CHAIRMAN: Now we come to the Canadian National Securities Trust.

Mr. VAUGHAN: This is pretty much a repetition of what appears on page 18 of the annual report under the heading of proprietor's equity account.

The CHAIRMAN: That was discussed thoroughly.

Mr. McCULLOCH: Yes, that was discussed yesterday.

The CHAIRMAN: Yes, that was discussed by Mr. Hanson.

Mr. HANSON (*Skeena*): Is this going into the record?

The CHAIRMAN: Yes, it will go into the record, but the contents were discussed at length by the committee.

## THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

OTTAWA, 15th March, 1944.

The Honourable J. E. MICHAUD, K.C., M.P.,  
Minister of Transport,  
OTTAWA.

SIR,—In conformity with Section 23 of The Canadian National Railways Capital Revision Act, 1937, the Trustees submit the following report of the transactions of The Canadian National Railways Securities Trust for the calendar year 1943.

The book value of the capital stock of the Securities Trust has been increased during the year by \$37,837,580.54, as shown hereunder:

Surplus Earnings of the Canadian National Railway System for the year 1943..	\$ 35,639,412.23
Capital Gain on repatriation of securities.....	2,430,284.25
	\$ 38,069,696.48
Line Abandonment—Regina Freight Line Cut-off.....	232,115.94
Net Gain credited to Proprietor's Equity.....	\$ 37,837,580.54

With regard to the item of capital gain amounting to \$2,430,284.25, additional repatriated securities were acquired by the Canadian National Railway Company during the year under the following Orders in Council:

- P.C. 2484 dated 28th March, 1942—repurchase from the Dominion, at the vesting price, of the railway securities purchased by the Dominion from the Treasury of the United Kingdom.
- P.C. 2886 dated 11th April, 1942, and 7197 dated 14th August, 1942—redemption at the vesting price of railway securities listed in but not subject to the vesting order of the Treasury of the United Kingdom.
- P.C. 6002 dated 25th October, 1940—4% Perpetual Debenture Stock issued by the Grand Trunk Railway Company.

These transactions dealt with railway securities having a par value of \$2,229,055.80. The cost of redemption was \$2,119,333.89, resulting in a capital gain of \$109,721.91 less \$239.66 discount not amortized prior to date of redemption—a net of \$109,482.25.

Order in Council P.C. 2484 of 28th March, 1942, also dealt with the capital stock of the Atlantic and St. Lawrence Railroad Company. This Company owns the railway from Island Pond, Vermont, to Portland, Maine, a distance of 147.79 miles, which has been operated by the Canadian National Railway Company under a 999 year lease dated 1st August, 1853. On 8th January, 1943, the Interstate Commerce Commission issued its order authorizing the Canadian National Railway Company to purchase the capital stock. The capital gain on this account during the year amounted to \$2,320,802. This capital gain equals the excess ledger value of the assets acquired (determined in accordance with Interstate Commerce Commission valuation proceedings and accounting regulations) over the cost to the Canadian National of the securities controlling such assets.

Loans for the purchase of these securities have been made to the Railway by the Government, bearing interest at 3½ per cent per annum, repayable on demand and secured by promissory notes and by the securities so purchased.



Certain securities of Companies comprised in the National Railway System were duly paid on their respective maturity dates or when called, in so far as they were held by the public, and the Railway decided to make arrangements for the discharge of the underlying trust mortgages, which necessitated the cancellation and cremation of all of the securities issued under the mortgages. Part of the securities so issued were held by the Securities Trust and application was made to the Trust for the release, for cancellation and cremation, of the securities so held. After hearing representations by the President and financial officers of the railway in support of the application, the Trustees were satisfied that the paramount interest to be served by the discharge of the trust mortgages was the facilitation of the process of consolidation of the corporate structure of the System and that no public interest would be detrimentally affected thereby. The Trustees, by resolution of 24th February, 1943, authorized the release of the undermentioned securities to the Canadian National Railway Company, for cancellation and cremation, subject to the approval of the Governor in Council as required by Section 21 of The Canadian National Railways Capital Revision Act, 1937. Such approval was granted by Order in Council P.C. 4437 of 31st May, 1943, and the securities have been released, cancelled and cremated:

(a) Canadian Northern Railway Company 4% Debenture Stock due 23rd. January, 1939 (held as part collateral for loan made to Canadian Northern Railway Company under the War Measures Act, 1918).....	\$1,975,866.67
(b) Mount Royal Tunnel and Terminal Company Limited 5% First Mortgage (Canadian Northern) Rent charge Debenture Stock and Bonds called for redemption 15th. October, 1936.....	5,348,466.66
(c) Halifax and South Western Railway Company 3½% First Mortgage Debenture Bonds due 30th. September, 1942.....	1,216,666.66
(d) Canadian Northern Railway Company 4% First Mortgage Bonds (Pas Mission) due 15th. April, 1939.....	880,000.00
(e) Duluth, Winnipeg and Pacific Railway Company 4% First Mortgage Debenture Stock due 1st. June, 1939.....	1,051,589.33
(f) Duluth, Rainy Lake and Winnipeg Railway Company 5% First Mortgage Sinking Fund Gold Bonds due 1st. January, 1916.....	2,000,000.00
(g) Grand Trunk Pacific Railway Company 4% Mortgage Bonds due 1st April, 1919 (held as part collateral for loan made to Grand Trunk Railway Company under Vote 126, 1921).....	10,000,000.00
(h) Grand Trunk Pacific Branch Lines Company interest coupons (held as part collateral for loans made to Canadian National Railway Company).....	1,579,490.28

(Items (b) to (f) inclusive, were held as part collateral in respect of Canadian Northern Railway indebtedness refunded by the Government under Chapter 24, Statutes of 1917 and Chapter 11, Statutes of 1918).

The Trustees present herewith the Balance Sheet of the Securities Trust as at 31st December, 1943.

For the Trustees,

W. C. CLARK,

*Chairman.*

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

BALANCE SHEET AT 31ST DECEMBER, 1943

ASSETS		LIABILITIES	
<i>Claims for Principal of Loans—</i>		<i>Capital Stock Owned by His Majesty—</i>	
Canadian Northern Railway.....	\$312,334,805.10	5,000,000 shares of no par value capital	
Grand Trunk Railway.....	118,582,182.33	stock:—Initial stated value.....	\$ 270,037,437.88
Grand Trunk Pacific Railway.....	116,006,599.08		
Canadian National Railway Company	96,936,971.75		
	\$ 643,860,558.26	Gain from transactions subsequent to	
		1st. January, 1937—per contra....	66,643,024.83
<i>Claims for Interest on Loans—</i>			\$ 336,680,462.71
Canadian Northern Railway.....	\$ 309,702,897.65		
Grand Trunk Railway.....	103,250,802.95		
Grand Trunk Pacific Railway.....	107,326,622.84		
Canadian National Railway Company	54,501,313.57		
	574,781,637.01		
<i>Transactions subsequent to 1st January, 1937, affecting the book value of the capital stock of the Securities Trust—</i>			
<i>Canadian National Railway System:</i>			
	Year 1943	Total to Date	
Surplus Earnings. \$	35,639,412.23	\$ 64,719,007.29	
Capital Gains ...	2,430,284.25	19,105,651.38	
Capital Losses ...	232,115.94	17,181,633.84	
		66,643,024.83	
<i>Collateral Securities—</i>		Amount by which the book value of	
As per schedule A. 1.....		claims and interest thereon—per	
		contra—exceeded the initial stated	
		value .....	948,604,757.39
			\$1,285,285,220.10
	\$1,285,285,220.10		

T. H. COOPER,  
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of The Canadian National Railways Securities Trust for the year ended the 31st December, 1943. There have been produced for our inspection the Notes and Other Evidences of Indebtedness, the Collateral Securities and the Certificate of the Special Depository, as set out in Schedule A.1 attached hereto.

We certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the accounts of the Trust as at the 31st December, 1943, in accordance with the provisions of The Canadian National Railways Capital Revision Act, 1937.

GEORGE A. TOUCHE & CO.,  
Chartered Accountants.

10th MARCH, 1944.

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

SCHEDULE A.1

SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

*Loans Outstanding*

*\*Notes and Collateral Held*

CANADIAN NORTHERN RAILWAY:

3½% Loan, Chapter 6, 1911.....	\$ 2,396,099 68
4% Loan, Chapter 20, 1914.....	5,294,000 02
5% Loan, Chapter 4, 1915.....	10,000,000 00
6% Loan, Chapter 29, 1916.....	15,000,000 00
Temporary Loan, 1918, repaid.....	.....
†6% Loan, Chapter 24, 1917.....	25,000,000 00
†6% Loan, Vote 110, 1918.....	25,000,000 00
†6% Loan, Vote 108, 1919.....	35,000,000 00
†6% Loan, Vote 127, 1920.....	48,611,077 00
†6% Loan, Vote 126, 1921.....	44,419,806 42
†6% Loan, Vote 136, 1922.....	42,800,000 00
6% Loan, War Measures Act, 1918.....	1,887,821 16
†6% Equipment Loan, Chapter 38, 1918.....	56,926,000 82

Indebtedness refunded by Government under Chapter 24, 1917 and Chapter 11, 1918.....

†Mortgage covering loans above.....

Total Canadian Northern.....\$312,334,805 10

GRAND TRUNK RAILWAY:

6% Loan, Vote 478, 1920.....	\$ 25,000,000 00
6% Loan, Vote 126, 1921.....	55,293,435 18
6% Loan, Vote 137, 1922.....	23,288,747 15

4% Loan to G.T. Pacific Chapter 23, 1913, guaranteed by Grand Trunk..... 15,000,000 00

Temporary Loans, repaid through subsequent issues of guaranteed securities and loans.....

Total Grand Trunk.....\$118,582,182 33

GRAND TRUNK PACIFIC RAILWAY:

3% Bonds, Chapter 24, 1913.....	\$ 33,048,000 00
6% Loan, Chapter 4, 1915.....	6,000,000 00
6% Loan, Vote 441, 1916.....	7,081,783 45
6% Loan, Vote 444, 1917.....	5,038,053 72
6% Loan, Vote 110, 1918.....	7,471,399 93
Receiver's Advances, P.C. 635, March 26, 1919.....	45,764,162 35
Interest Guaranteed by Dominion.....	8,704,662 65
Interest Guaranteed by Provinces of Alberta and Saskatchewan.....	2,898,536 98
Agreement with Government under Chapter 71, 1903.....	.....

Total Grand Trunk Pacific.....\$116,006,599 08

None. Charge is on premises mortgaged October 4, 1911.  
None.  
None.

Mortgages dated June 23 and June 26, 1916.

6% Demand Notes.....	\$ 497,566 80
6% Demand Notes.....	33,012,414 32
6% Demand Notes.....	27,203,003 65
6% Demand Notes.....	40,031,122 27
6% Demand Notes.....	53,008,779 65
6% Demand Notes.....	50,259,312 47
6% Demand Notes.....	46,691,634 60
5½% Demand Note.....	5,700,000 00
3½% and 4½% Debenture Stocks.....	7,139,399 00
6% Demand Notes.....	56,858,496 44

{Miscellaneous Bonds and Debentures.....	14,744,817 25
{Miscellaneous Bonds and Debentures.....	20,721,191 12

Mortgage dated November 16, 1917.....

6% Demand Notes.....	\$ 25,479,226 97
6% Demand Notes.....	56,646,816 12
6% Demand Note.....	23,288,747 15

{4% Demand Note.....	15,000,000 00
{4% G.T.P. Debentures.....	15,000,000 00

{4% Debenture Stock.....	60,801,700 00
{6% 2nd Mortgage Equipment Bonds.....	1,693,113 33

3% 1st Mortgage Bonds.....	\$ 33,048,000 00
4% Sterling Bonds.....	7,499,952 00
Mortgage, June 28, 1916.....	.....
Mortgage, October 18, 1917.....	.....
Mortgage, October 18, 1917.....	.....
Receiver's Certificates.....	53,339,162 74
Cremation Certificates, coupons destroyed.....	8,698,170 42
Cremation Certificates, coupons destroyed.....	2,925,723 88
Grand Trunk Pacific Development Company Capital Stock.....	2,999,000 00

forward

RAILWAYS AND SHIPPING

SCHEDULE A.1—*Concluded*

## THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

## SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

<i>Loans Outstanding</i>		<i>*Notes and Collateral Held</i>	
<b>CANADIAN NATIONAL RAILWAY COMPANY:</b>			
6% Loan, Vote 139, 1923 .....	\$ 24,550,000 00	{ 6% Canadian Northern Demand Note .....	\$ 12,655,019 57
		{ G.T.P. Receiver's Certificates .....	3,313,530 01
		{ G.T.P. Interest Coupons .....	1,530,831 96
5% Loan, Vote 137, 1924 .....	10,000,000 00	{ 5% Canadian Northern Demand Note .....	1,318,315 86
		{ G.T.P. Receiver's Certificates .....	4,691,173 58
		{ G.T.P. Interest Coupons .....	1,530,822 24
5% Loan, Vote 377, 1925 .....	10,000,000 00	{ 5% Canadian Northern Demand Note .....	9,496,718 21
		{ G.T.P. Receiver's Certificates—Cr. ....	1,422,425 17
		{ G.T.P. Interest Coupons .....	1,530,802 80
5% Loan, Vote 372, 1926 .....	10,000,000 00	{ 5% Canadian Northern Demand Note .....	9,062,624 30
		{ G.T.P. Receiver's Certificates—Cr. ....	364,898 78
		{ G.T.P. Interest Coupons .....	1,530,880 56
5% Loan, Vote 336, 1929 .....	2,932,652 91	5% Canadian National Railway Company Demand Note.	2,932,652 91
5% and 5½% Loans, Chapter 22, 1931 .....	29,910,400 85	5% and 5½% Canadian National Railway Company Demand Notes .....	29,910,400 85
5½% Loans, Chapter 6, 1932 .....	11,210,815 56	5½% Canadian National Railway Company Demand Notes .....	11,210,815 56
Temporary Loan 1930, repaid .....		{ 166,877.6376 shares of Capital Stock of Grand Trunk Western Railroad .....	4,171,940 94
		{ 5% 1st and General Mortgage Temporary Gold Bonds of Central Vermont Railway, Inc. ....	8,609,000 00
<i>Less:</i> adjustment authorized by the Capital Revision Act, 1937 .....	1,666,897 57		
Total Canadian National Railway Company .....	<u>\$ 96,936,971 75</u>		
Total Loans .....	<u>\$643,860,558 26</u>		

\* The Notes and Other Evidences of Indebtedness and the Collateral Securities are all held for safekeeping in the vaults of the Department of Finance, Ottawa, excepting Grand Trunk Pacific Railway 3% 1st. Mortgage Bonds in the amount of £5,307,000 (\$25,792,020) which are held for safekeeping by the Bank of Montreal, London, England, as evidenced by the certificate of that depository.

Mr. NICHOLSON: What about this item Regina Freight Line Cut Off on page 4 of this Canadian National Railway section. What is the explanation of this?

Mr. VAUGHAN: There was some expenditure made on that line, but it was subsequently decided we could abandon the line and do without it.

Mr. NICHOLSON: Where is the line?

Mr. VAUGHAN: It is a line that cuts off north of Regina.

Mr. WALTON: It was a line, so that instead of coming where the trains do now, as you come from the west, you went on the north side of the city and then connect into the main line east of the section, a mile and a half or two miles. It was never used and the necessity for it disappeared.

Mr. DONNELLY: Did it join in with that line coming from Weyburn?

Mr. WALTON: It joined into the Regina-Kipling line a couple of miles east of Regina, but it was never used.

Mr. DONNELLY: Would it run into the one coming from the southwest—or the southeast, at least?

Mr. WALTON: Yes.

Mr. DONNELLY: Not the one coming in from Weyburn?

Mr. WALTON: No, not from Weyburn; it joined in with the line from Regina to Kipling to Brandon.

The CHAIRMAN: May I ask the members of the committee if you wish this report to be gone over in detail?

Some Hon. MEMBERS: No.

The CHAIRMAN: Then is page 4 carried?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Is page 5 carried?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Is page 6 carried?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Is page 7 carried?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Is page 8 carried.

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Will somebody move the adoption of the report.

Mr. MAYBANK: Yes. I will move the adoption of it.

Motion agreed to.

The CHAIRMAN: Where are those items?

Mr. EMMERSON: What is the number?

The CHAIRMAN: There are four items in the estimates that are moved every year and returned to the house. On page 47 of the estimates there is No. 387.

Mr. NICHOLSON: What is the amount?

The CHAIRMAN: It reads:—

387—To hereby authorize and provide for the payment of time during the fiscal year 1944-45 to the Canadian National Railways Company of the difference (estimated by the Canadian National Railways Company and certified by the auditors of the said company to the Minister of Transport as and when required by the said minister) occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (upon the same basis as set out in

Section 9 of the said Act with respect to companies therein referred to) on all traffic moved during the calendar year under the tariffs approved on the Eastern Lines (as referred to in Section 2 of the said Act) of the Canadian National Railways.

Is this item carried?

Mr. McCULLOCH: Carried.

Mr. NICHOLSON: Before it is carried, have you any information as to the total amount that has been paid out under this Act?

Mr. VAUGHAN: Since the beginning?

Mr. NICHOLSON: Yes.

Mr. VAUGHAN: No.

Mr. NICHOLSON: What is the average paid?

Hon. Mr. MICHAUD: For the Canadian National Railways? We have it here.

Mr. VAUGHAN: Mr. Cooper probably has it.

Hon. Mr. MICHAUD: We have it here. For the Canadian National Railways, \$38,427,891, and to all other railways, \$50,932,725.

Mr. HANSON (*Skeena*): What period does that cover?

Hon. Mr. MICHAUD: 1927 to November, 1943.

Mr. McCULLOCH: Carried.

Item 387 agreed to.

The CHAIRMAN: Then we come to item 388. Do you wish that read?

Mr. MAYBANK: No.

Mr. EMMERSON: What is the amount of it?

The CHAIRMAN: It reads as follows:—

388—Amount required to provide for payment from time to time during the fiscal year 1944-45 of the difference (estimated by the Board of Transport Commissioners for Canada and certified by the said Board to the Minister of Transport, as and when required by the said minister) occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (referred to in Section 9 of the said Act) on all traffic moved during the calendar year 1944—

The remainder is the same as the previous item.

Mr. EMMERSON: Take it as read.

Hon. Mr. MICHAUD: Except to other railways than the Canadian National Railways, \$12,000,000 from 1927 to the end of November, 1943.

Mr. EMMERSON: Is that No. 387 the estimate of March 31, 1944?

The CHAIRMAN: The minister just explained it.

Mr. HANSON (*Skeena*): No. It is the estimate for 1945.

Mr. EMMERSON: Then I have the wrong book.

Mr. HANSON (*Skeena*): Those are statutory items passed every year.

The CHAIRMAN: They are statutory items that are passed every year. We are on No. 388. Shall it carry?

Some Hon. MEMBERS: Carried.

Item agreed to.

The CHAIRMAN: No. 408.

Some Hon. MEMBERS: Carried.

The CHAIRMAN: No. 409.

Some Hon. MEMBERS: Carried.

Mr. NICHOLSON: What is No. 408?

The CHAIRMAN: It reads:—

408—Advances to Canadian National (West Indies) Steamships, Limited, repayable on demand with interest at a rate to be fixed by the Governor in Council upon such terms and conditions as the Governor in Council may determine and to be applied in payment of capital expenditure in connection with vessels under the company's control during the year ending December 31, 1944.

Is that carried?

Some Hon. MEMBERS: Carried.

Item agreed to.

The CHAIRMAN: Item 409.

Mr. DONNELLY: What is that?

The CHAIRMAN: Prince Edward Island Car Ferry and Terminals. Is that carried?

Some Hon. MEMBERS: Carried.

Mr. MAYBANK: No. We cannot allow that to carry. We have got to have something about that.

The CHAIRMAN: Will some one move the adoption of the estimate? Mr. McCulloch moves it.

Some Hon. MEMBERS: Carried.

Mr. MAYBANK: Wait a minute. That is not carried. We have to have an argument about that ferry.

The CHAIRMAN: All right; it is not carried.

Mr. MAYBANK: Oh, we will not argue.

Mr. EMMERSON: I want to find out how that amount is arrived at. Is it a deficit in the operation of the ferry?

Mr. ROEBUCK: How much is the amount? We just got the "Prince Edward Island." That is all we heard.

Mr. EMMERSON: What proportion of the freight that is carried and of the passenger traffic is credited to the ferry? It seems an enormous amount for that operation.

Mr. DONNELLY: Build a tunnel.

Mr. VAUGHAN: Mr. Cooper has the figure.

Mr. COOPER: Their revenues are apportioned on a ton mile and passenger mile basis, using the Eastern Lines average rates; that is to say, on every ton which is moved across the ferry we credit to this service the same revenue per ton mile which the Atlantic region earns per ton mile. On local traffic, of course, we give them 100 per cent.

Mr. EMMERSON: And on passenger fares?

Mr. COOPER: Passenger fares again would take the Atlantic region passenger mile rate. But on the local passenger traffic they get 100 per cent.

Mr. EMMERSON: And on the transportation of automobiles 100 per cent would be credited to the boat?

Mr. COOPER: Yes. That is covered by tariff, of course; and as you say, 100 per cent is credited to the car ferry operation.

Some Hon. MEMBERS: Carried.

Item agreed to.

Mr. NICHOLSON: Before we finish these questions, there is a question that should have come up yesterday regarding the share of the business between the two railways. I wonder if we can have some statement from the president as to whether he is satisfied with the share of government revenue that the C.N.R. is getting. Certain regulations were relaxed two years ago.

The CHAIRMAN: There is nothing we can do about it. We told the railways to go ahead and do their utmost.

Mr. NICHOLSON: I think the president might make a statement.

Mr. VAUGHAN: We will never be satisfied, Mr. Nicholson. We are out to get every dollar's worth of business we can, legitimately. We are getting along better with the various departments.

Mr. NICHOLSON: How about those orders about dividing the business fifty-fifty?

Mr. VAUGHAN: Those were withdrawn.

The CHAIRMAN: They are all out.

Mr. NICHOLSON: You feel in actual practice they have been withdrawn?

Mr. VAUGHAN: Generally speaking. There are a few officials probably in one or two of the departments who still want to divide the business fifty-fifty and still do; but that does not apply in many cases.

The CHAIRMAN: Are the estimates carried?

Mr. McCULLOCH: Carried.

The CHAIRMAN: The next is the Canadian National Railway System auditors' report.

Mr. VAUGHAN: I think that finishes the Canadian National Railways. I should like to take this opportunity of thanking you, sir, and the members of the committee for your consideration and for the very kind way in which you have expedited the passing of these statements of ours. It means much to us to be able to get back to Montreal in a comparatively short time, and we are grateful to you.

The CHAIRMAN: I think, Mr. President, we rather enjoy this perusal of your reports.

Mr. HANSON (*Skeena*): This year especially.

The CHAIRMAN: I know it is the wish of the committee that I should thank you on their behalf for the courteous way in which you and your officials have presented the information asked for.

Mr. VAUGHAN: Thank you, Mr. Chairman.

The CHAIRMAN: Then, it is Mr. Matthews' turn now. I will now call on him.

Mr. O. A. MATTHEWS of George A. Touche & Co., called.

The CHAIRMAN: Do you wish to have this statement read, gentlemen? Mr. Matthews seems to think we will get through with it about as quickly if it is read, as we would if it were dealt with in any other way.

Some Hon. MEMBERS: Agreed.

The WITNESS: The report reads as follows:—

March 10, 1944.

THE HONOURABLE THE MINISTER OF TRANSPORT,  
Ottawa, Canada.

Sir:—

In pursuance of The Canadian National-Canadian Pacific Act, 1936, and Chapter 18, 1943, "An Act respecting the appointment of auditors for National Railways," we have audited the accounts of the Canadian National Railway system for the year ended the 31st December, 1943, and we now submit, through you, our report to parliament.



- We attach hereto the following financial statements of the national system:—  
 Exhibit I—Consolidated income account—Year 1943.  
 Exhibit II—Consolidated balance sheet at the 31st December, 1943—together with audit certificate.  
 Exhibit III—Dominion of Canada—Proprietor's equity account at the 31st December, 1943.  
 Exhibit IV—Investments in affiliated companies at the 31st December, 1943.  
 Exhibit V—Major contingent liabilities at the 31st December, 1943.

#### CONSOLIDATED INCOME ACCOUNT

The cash surplus of the national system for the year 1943, as shown in Exhibit I, is after making provision for:—

- (a) Interest on funded debt held by the public;
- (b) Interest on loans from the dominion government;
- (c) General taxes;
- (d) Deferred maintenance as a result of war-time conditions—in respect of fixed properties and equipment;
- (e) Railway's portion of pension payments to retired employees—under all pension plans;
- (f) Pension contract reserve—covering the railway's portion of the estimated capital amount of all pension contracts in force at the year end under the 1935 plan;
- (g) Pension equalization suspense—covering railway employees in service at the year end beyond retirement age and entitled to pension contracts under the 1935 plan;
- (h) Increase in reserve for material and supplies inventories—arising out of war-time conditions;
- (i) Depreciation of equipment—Canadian lines—including special provision for abnormal war-time use;
- (j) Depreciation of equipment and fixed properties (excluding track structure)—United States lines;
- (k) Fixed property retirements—Canadian lines—excluding capital loss charged to proprietor's equity;
- (l) Fixed property retirements—United States lines track structure;
- (m) Amortization of certain defence projects presently considered as having no potential economic value in post-war operations, and
- (n) Amortization of discount on funded debt.

The surplus funds made available in the aggregate through provisions (g) to (n) are being utilized firstly for capital expenditures and current working capital requirements, the balance being applied in reduction of loans from the dominion government.

The total of provisions (a) to (n) made during the year 1943 exceeded 121 million dollars including some 55 millions credited directly to corporate reserves. Of this latter amount some 42 million dollars represented special war-time provisions and the sum set aside for pension contracts.

In comparing the cash surplus for the year 1943 with that for 1942, it should be borne in mind that some 21 million dollars in respect of the aforementioned pension contracts were charged against the 1943 revenue. It should be noted also that of the increase of some 65 million dollars in the 1943 gross revenues over those of 1942, approximately 45 per cent was carried to "Net Operating Revenue"—after charging operating expenses with the special war-time provisions in both years.

"Revenue Appropriated for Pension Reserve," as shown in the income account, relates only to the estimated amount of the reserve up to the end of 1942, the increase in the reserve during the year 1943 being charged to operating expenses.

No separate profit and loss account is included in the financial statements presented herewith for the year 1943, principally because the revised accounting classification of the Interstate Commerce Commission now provides that the accounting for general property retirements be made through operating expenses.

In the matter of current maintenance policy we have received certificates from the responsible officers to the effect that, subject to the war-time conditions which necessitated the provision for deferred maintenance, the fixed properties and equipment of the national system have been maintained in a proper state of repair and in an efficient operating condition during the year 1943.

In the reports of the previous year, issued by the directors and ourselves, the revised depreciation accounting practices affecting the road properties of United States Railways and the policy proposed for the Canadian lines of the national system were set forth. However, as the matter comes within the scope of our audit for the year 1943 we deem it advisable again to draw the attention of parliament to the fact that under an order of the Interstate Commerce Commission effective the 1st January, 1943, a "group plan" of depreciation accounting is prescribed for United States Railways covering depreciable road properties including buildings, stations, shops, bridges, etc., but excluding the track structure, i.e. rails, fastenings, ties and ballast, which is to continue on the retirement basis. This depreciation order has been made effective in the 1943 accounts of the United States Lines of the national system. In so far as the Canadian lines are concerned, retirement accounting continues in effect for all road properties and it would not appear practicable to institute any similar depreciation plan, until after the termination of hostilities, because of the substantial expense involved in determining unit property costs and the need for all of the technical personnel of the railway to meet the transportation requirements arising out of the present national emergency. In any event, we recommend that the adoption by the Canadian lines of depreciation accounting for road properties, under any specific plan, be made contingent upon the establishment by the dominion government of uniform accounting regulations, of a mandatory character, applicable to Canadian railways. It is our considered opinion that such governmental regulations, to which we have made reference for several years, should be established as early as possible in the post-war period.

*By Mr. Roebuck:*

Q. Why not in the present period?—A. Because of the fact that the work involved for the technical personnel of the railway would be a serious matter; and even for the government to bring in regulations of that kind, it would require studies on the part of both the government and the railway officers, and we feel that the matter should be able to wait, with other things, until the war is over and the personnel is again available for that technical work.

Q. I see. Thank you, Mr. Matthews.

*By Mr. Nicholson:*

Q. If that legislation were passed, how long a time would elapse before this ideal could be achieved?—A. Well it would become effective whenever the government made it effective.

Q. It could not be accomplished overnight, though?—A. Of course not. The Interstate Commerce Commission has spent a great number of years in those studies and it would naturally take some little time.

Q. How long do you mean by "some little time"?—A. Well, that just depends.

Hon. Mr. MICHAUD: On how fast the government is working.

The WITNESS: It just depends.

Mr. ROEBUCK: Or how much talk the opposition would indulge in.

*By Mr. Nicholson:*

Q. Apart altogether from what happens in parliament, after the legislation is passed, how long would it take to do the technical work?—A. Of course, in the passage of legislation of that kind, they would have to give the railways reasonable time to have their facts prepared, so that they could be applied. It would be of no use for the government to establish regulations on which the railways did not have the information. I speak of the Canadian National Railways, of course. But it is assumed that those studies would be made together and the date of their effective application would be after the railways had their data ready.

*By the Chairman:*

Q. Would it require a fresh revaluation?—A. Well, it would be a matter of going back into the records of the Canadian National Railways in respect of certain fixed properties, Mr. Chairman; yes. The Interstate Commerce Commission, of course, have had those valuation facts for many years for American Railways.

Q. That would take time?—A. It would take some time. But we regard it as important in the post-war period that, in presenting the published accounts of the larger railways of Canada to the people of Canada, the facts should be uniformly stated and that it should be under some governmental authority.

Mr. ROEBUCK: Yes.

The CHAIRMAN: Then page 3.

The WITNESS: Continuing:

#### *Consolidated Balance Sheet*

Investments in fixed properties and equipment appearing in the books of the constituent companies at the 1st January, 1923, were accepted by us. Against the corporate property investments brought into the National system accounts in 1923, there have been applied the reductions authorized by The Canadian National Railways Capital Revision Act, 1937. Since the 1st January, 1923, net additions and betterments have been shown on the basis of cost.

The several special funds of the National system including sinking funds, deposits in lieu of mortgaged property sold, deferred maintenance fund, insurance fund and pension contract fund, taken as a whole, are composed of cash and investments principally in the securities of dominion, provincial and municipal governments and in the securities of companies within the National system. The market value of the securities held in these special funds in total exceeded the book figure.

Investments in affiliated companies, as set out in Exhibit IV, are represented in the main, apart from the Trans-Canada Air Lines, by a 50% or less capital stock ownership. The basis of the balance sheet figure is cost, or in certain instances special valuations approved by the Interstate Commerce Commission. Insofar as this type of investment is made in railroad affiliates, two principal factors should be borne in mind, viz:—

- (1) The extent of traffic benefits derived by parent companies as a direct result of their investments, and
- (2) The fact that the affiliates have utilized the proceeds from the sale of their securities largely in the development of their transportation facilities. It is obvious, therefore, that the future value of investments in affiliated companies will be dependent, basically, upon the future economic position of the railroad industry as a whole.

Other deferred assets are mainly composed of contracts receivable in connection with the sale of land in western Canada.

Other unadjusted debits comprise the unamortized cost of opening ballast pits which is to be written off on the basis of yardage used; the salvage value of non-perishable material in ballast pits and other temporary tracks; accounts collectible in suspense awaiting billing to debtors; suspense debits covering the accrual of operating revenues and income, etc.

The Dominion of Canada, in connection with loans made for the repatriation of securities from the United Kingdom and other redemption undertakings, holds as collateral the major portion of the securities so redeemed from the public.

Accrued depreciation—Canadian lines—applies only to equipment and dates from the 1st January, 1940; retirement accounting continues in effect for fixed properties.

Accrued depreciation—United States lines—applies to equipment from a date prior to the 1st January, 1923, and to fixed properties (excluding track structure) mainly from the 1st January, 1943.

The accumulated reserves for pension contracts, insurance, depreciation, deferred maintenance, material and supplies inventories, and amortization of certain defence projects aggregated some 124 million dollars, of which some 56 million dollars were invested in specific funds.

Other deferred liabilities embody the outstanding capital amounts of the workmen's compensation awards by the provinces of Ontario and Quebec; the liability under equipment hire purchase arrangements pending transfer to Dominion of Canada loans; the balance of the obligation to the State of Michigan in respect of the wider Woodward Avenue extension in Detroit, etc.

Other unadjusted credits are largely made up of the Canadian lines' proportion of prepaid revenues on freight in transit; accounts payable in suspense awaiting billing by creditors; suspense credits covering the accrual of operating expenses and income charges, etc.

Mr. ROEBUCK: Before you turn the page over I see here what looks to be a remarkable statement, one that is worthy of comment. It is: "The market value of the securities held in these special funds in total exceeded the book figure". Is there any depreciation—does that go into the book figure?

The WITNESS: It is taking the book figures as they stand and applying market values against them.

*By Mr. Roebuck:*

Q. The market value of the securities?—A. Yes.

Q. But I am just wondering what the book figure is of these securities. Is it the face value of the securities or is it a depreciated value?—A. No, it is almost without exception the cost to the company excepting those purchases of system securities that are written up to par, but outside of the system's securities the cost to the company is the prevailing basis. There have been some instances where it has been necessary to write them down, but not very often.

Q. I think that is a matter of congratulation to the managers of that fund.—A. I think it is a record that the Canadian National Railways may well be proud of. We regard their securities' position as very sound.

Q. I know some funds that would like to be in that position.—A. I do, too, Mr. Roebuck, and that is why we called the fact to the attention of parliament. We think it is worthy of your attention. The amount involved in these funds is \$67,000,000, and of that amount there is approximately \$59,000,000 represented by securities and about \$7,000,000 in cash. We feel it is a very satisfactory position. Perhaps I might just be permitted to explain why we point out the analyses of four of the accounts, other deferred assets and liabilities, and other unadjusted debits and credits. There is considerable misunderstanding of railway accounts about what they constitute, and it is well for parliament to know that in the case of the Canadian National Railways they do not represent

anything in the way of dumping grounds for facts that should be exposed in their proper places. These special credits and debits are in accordance with the Interstate Commerce Commission's practice. They will bear inspection, and for that reason we give parliament a broad outline of what is constituted in these special accounts.

The accounts of the national system are stated in Canadian currency—sterling and United States currencies being converted at the par of exchange.

A summary of Dominion of Canada—proprietor's equity at the 31st December, 1943, is set forth on the balance sheet and the transactions during the year 1943 affecting the proprietor's equity account are summarized in Exhibit III. The capital gain on repatriation of securities, as shown in this exhibit, mainly represents the excess of the sterling par value of the capital stock of the Atlantic and St. Lawrence Rail Road Company over the dollar cost of its acquisition based on the vesting price referred to in the relative Order in Council. The properties controlled by the capital stock so acquired have been brought into the National system accounts on the basis of original cost, as confirmed by valuation order of the Interstate Commerce Commission and as represented by the sterling par value of the capital stock.

Major contingent liabilities are outlined in Exhibit V. With reference to pension plans, we would point out that reserves have been set up against contracts in force under the 1935 contractual plan but not against pensions conditionally accruing under that plan or prior non-contractual plans. The contributions under the 1935 contractual plan by employees presently in service are invested through the separately administered pension trust fund, the accounts of which are not included with those of the railway.

#### *General Scope of Audit*

The general scope of the test audit of the National system for the year 1943 may be outlined briefly as follows:—

- (a) Examination of major expenditure authorities which were based mainly upon recorded resolutions of directors. These expenditure authorities in turn have been established principally by corporate by-laws, orders in council and acts of Parliament;
- (b) Audit tests in the offices of regions, separately operated properties and system headquarters, covering a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting staff of the system. In this connection we work in collaboration with the executive accounting officers at headquarters having as a common objective the securing of maximum internal protection to the system in the control of cash receipts and expenditures, securities held, material stores, accounts receivable, etc., and
- (d) Audit and certification of the consolidated income account and consolidated balance sheet for presentation to parliament, which body is thus placed in possession of facts upon which conclusions can be reached as to the stewardship of the duly appointed administrators of the system.

The audit covered the various balance sheet accounting units in Canada, the United States and Great Britain with income accounts originating in the revenue offices, regions, separately operated properties and system headquarters applicable to some 90 companies comprising the National system as an operating entity.

## CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

The Canadian National Railways Securities Trust, under authority of Section 22 of the Capital Revision Act, 1937, has been treated as a constituent unit of the National system. There is, however, a provision in Section 23 of the Act requiring presentation to parliament of a trustees' report and a separate balance sheet for the Securities Trust. The trustees' report is to set forth the transactions of the Securities Trust during the year 1943, comprising the net change in the book value of the capital stock and the release of certain collateral securities in accordance with the Capital Revision Act. Our audit certificate is appended to the separate balance sheet as at the 31st December, 1943.

## TRANS-CANADA AIR LINES

The Trans-Canada Air Lines have not been included as a constituent unit of the National system although 100 per cent stock ownership of the air lines is vested in the Canadian National Railway Company. A separate income account and balance sheet have been certified by us as at the 31st December, 1943.

Mail revenue, as shown in the income account, is based on the rates per plane mile flown in approved mail services in accordance with the Trans-Canada Air Lines Act.

The surplus for the year 1943 is after making provision for:—

- (a) Interest at 5 per cent on the capital investment—in accordance with the Trans-Canada contract;

Mr. ROEBUCK: That is a pretty high rate.

Mr. HANSON (*Skeena*): That should be changed now.

The WITNESS: It is fixed by statute.

- (b) Depreciation of capital assets—at rates comparable with those used by other major air line companies in North America, in accordance with the Trans-Canada contract;
- (c) General taxes;
- (d) Pension payments into the separately administered trust fund—covering pension accruals under the 1943 plan;
- (e) Pension payments to the Canadian National Railway Company in respect of transferred employees, and
- (f) Reserve for material and supplies inventories—arising out of war-time conditions.

The insurance fund, as shown in the balance sheet, is composed of cash and Dominion of Canada securities. The market value of the securities approximated the book figure.

Investments in property and equipment are carried on the basis of cost.

Under the 1943 pension plan, the joint contributions by the company and employees presently in service are invested through the separately administered pension trust fund, the accounts of which are included with those of the air lines. The contributions by transferred employees presently in service, who have elected to remain under the C.N.R. 1935 contractual plan, are invested through the separately administered pension trust fund under that plan.

## CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

The accounts of the Canadian National (West Indies) Steamships, Limited, and subsidiary companies are not consolidated with those of the National system, the 100 per cent stock ownership of the parent steamship company being vested in the Dominion government. A separate consolidated income account

and consolidated balance sheet have been certified by us as at the 31st December, 1943.

The surplus for the year 1943, as shown in the income account, is after making provision for:—

- (a) Interest on funded debt held by the public;
- (b) Interest on loans from the Dominion government;
- (c) Depreciation of vessels;
- (d) General taxes, and
- (e) Pension payments to the Canadian National Railway Company as pension contract underwriter.

Investments in vessels and other properties, as shown in the balance sheet, are carried on the basis of cost.

Of the total insurance and replacement fund, \$1,014,330 applies to insurance and \$5,401,420 to replacement. The fund is composed of cash and investments principally in the securities of Dominion, provincial and municipal governments. The market value of the securities exceeded the book figure.

I might say, Mr. Roebuck, in the \$67,000,000 figure I mentioned to you we included the \$6,000,000 of the West Indies in that total because the insurance fund covers both companies.

With reference to the contingent liability for pensions, we would point out that a reserve has been provided through the C.N.R. against contracts in force under the 1935 contractual plan but not against pensions conditionally accruing. The contributions by the steamships employees presently in service are invested through the separately administered pension trust fund under the C.N.R. 1935 contractual plan.

In the matter of current maintenance policies we have received certificates from the responsible officers of the Trans-Canada Air Lines and the Canadian National (West Indies) Steamships, Limited, to the effect that the respective capital assets have been maintained in a proper state of repair and in an efficient operating condition during the year 1943.

In respect of both the air lines and the steamships, the test audit for the year 1943 was similar in scope to that of the National system previously outlined in this report.

MR. ROEBUCK: The only thing that seems to me deserving of comment is the investment in vessels and other properties shown in the balance sheet as carried on the basis of cost. That might be very misleading, might it not? You value these vessels at what they cost and they may be worth only a fraction of that or under present conditions worth considerably more.

THE WITNESS: We tell you it is at cost.

*By Mr. Roebuck:*

Q. You have no other figures you can take?—A. That is the basis as it stands. We tell you that the cost is the amount that is represented as the book value of the vessels.

*By Mr. Nicholson:*

Q. May I inquire how large a staff you have assigned to this Canadian National Railways accounting?—A. Do you mean all through the year or the maximum? At the end of the year we have probably as many as thirty or thirty-five men.

Q. And during the year how many do you usually have?—A. Oh, we would have at least ten men.

Q. How many would you have five years ago before the war? Has it been necessary to increase the personnel that you have had to assign as a result of the increased volume?—A. Naturally, yes.

Q. How do the present figures you have given compare with those you had four or five years ago?—A. This is \$440,000,000 as against \$250,000,000 in earlier years.

Q. Which means that it requires twice as many men?—A. Oh, no.

Q. How many more men have you had to assign to this particular accounting?—A. Oh, I could not say that. We have had to use our men wherever they were needed, and at different points. I do not know.

Mr. HANSON (*Skeena*): I understand that the auditor is paid so much for auditing the books of the Canadian National Railways; whether they have one man or ten men it does not make much difference. Is that not the idea?

The WITNESS: We have to use plenty.

*By Mr. Roebuck:*

Q. I do not think we are auditing the auditor's accounts but tell me why is depreciation not written off this cost of vessels?—A. It is.

Q. They are carried on the basis of cost; that is cost less depreciation?—A. Oh, no. Are you speaking of the steamships?

Q. Yes, vessels and other properties as shown in the balance sheet are carried on the basis of cost.—A. If you refer to the balance sheet we are speaking of vessels and other properties at cost, and then on the other side you will find accrued depreciation.

Mr. MAYBANK: Depreciation comes in.

The WITNESS: We are speaking of the vessels and properties stated on the balance sheet and the figure shown here is \$5,831,000 as cost. As to the depreciation policy we have told you the vessels are depreciated through the income account, and the other side of the balance sheet shows you depreciation has been accrued to the extent of \$2,526,000. I would say there might be some confusion if the depreciation had been absorbed and a net figure were shown here, but it is gross on both sides to show you the cost of the vessels and against that the amount of depreciation accrued.

Mr. ROEBUCK: I see.

The CHAIRMAN: Any further comments?

Mr. ROEBUCK: I suppose we move that it be adopted.

Mr. EMMERSON: I will second it.

The CHAIRMAN: All right. Gentlemen, I presume I may take this opportunity of expressing our thanks to the officials of the airways, C.N.R. railway, and steamship lines, the Department of Transport and to Mr. Matthews for the courtesy and patience they have displayed in attending this investigation.

Mr. ROEBUCK: Hear, hear.

The committee adjourned at 5.45 o'clock p.m., at the call of the Chair.



























