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Comm. on Railways, Canals and
Telegraph Lines, 1949, 2d Sess.

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REPORT OF THE
COMMISSIONER OF THE
RAILROADS

STANDING COMMITTEE

RAILWAYS, CANALS AND
TELEGRAPH LINES

MINUTES OF PROCEEDINGS AND EVIDENCE

HELD AT WASHINGTON RESPECTING THE ACQUISITION
OF THE PENNSYLVANIA RAILWAY

HELD AT PHILADELPHIA, 1894

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SESSION 1949
SECOND SESSION
HOUSE OF COMMONS

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND
TELEGRAPH LINES

MINUTES OF PROCEEDINGS AND EVIDENCE

BILL NO. 145, AN ACT RESPECTING THE ACQUISITION
OF THE TEMISCOUATA RAILWAY

THURSDAY, DECEMBER 1, 1949

WITNESSES:

Mr. S. W. Fairweathr, Vice-President, Canadian National Railways.

Mr. A. B. Rosevear, K.C., Assistant-General Solicitor, Canadian National Railways.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1949

ORDER OF REFERENCE

THURSDAY, 25th November, 1949

Ordered,—That the following Bill be referred to the said Committee, viz,—
Bill No. 145, an Act respecting the Acquisition of the Temiscouata Railway.

Attest

LÉON J. RAYMOND
Clerk of the House.

REPORT TO THE HOUSE OF COMMONS

FRIDAY, December 2, 1949

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as a

FOURTH REPORT

Your Committee has considered Bill No. 145, an Act respecting the Acquisition of the Temiscouata Railway, and has agreed to report it without amendment.

A copy of the relevant minutes of proceedings and evidence of the Committee is appended.

All of which is respectfully submitted.

L. O. BREITHAUP, *Chairman.*

MINUTES OF PROCEEDINGS

THURSDAY, December 1, 1949

The Standing Committee on Railways, Canals and Telegraph Lines met at 4.15 o'clock p.m. The Chairman, Mr. L. O. Breithaupt, presided.

Members present: Messrs. Adamson, Beyerstein, Bonnier, Bourget, Breithaupt, Carter, Chevrier, Darroch, Dewar, Douglas, Follwell, Goode, Gour (*Chapleau*), Green, Harrison, Hatfield, Herridge, James, Jutras, Lafontaine, Macdonald (*Edmonton East*), McCulloch, Pouliot, Robinson, Rooney, Stuart (*Charlotte*), Thomas, Whiteside, Whitman.

In attendance: Messrs. S. W. Fairweather, Vice-President, G. B. Rosevear, K.C., Assistant General Solicitor, and G. H. Patterson, Department of Research and Development, of the Canadian National Railways, Montreal, P.Q., and Messrs. J-C. Lessard, Deputy Minister; W. J. Matthews, General Counsel; F. T. Collins, Administrative Assistant, and W. A. Thornton, Acting Assistant Comptroller, of the Department of Transport, Ottawa, Ontario.

The Committee considered Bill No. 145, An Act respecting the Acquisition of the Temiscouata Railway.

The Minister of Transport, Honourable Lionel Chevrier, was present as sponsor of the Bill.

Mr. S. W. Fairweather was called. He made a statement and was questioned thereon. Mr. G. B. Rosevear assisted the witness in answering questions.

Clauses 1 and 2, the Schedule and the Title carried.

The witnesses were retired.

Ordered,—That the Bill be reported without amendment. On motion of Mr. Bourget.

Resolved,—That 500 copies in English and 250 copies in French of to-day's minutes of proceedings and evidence be printed.

On motion of Mr. Stuart (*Charlotte*), the Committee adjourned at 4.45 o'clock p.m., to meet again at the call of the Chair.

J. G. DUBROY,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
December 1, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 4.15 p.m.

The CHAIRMAN: Gentlemen, if you will come to order we shall proceed with the consideration of Bill 145, An Act respecting the Acquisition of the Temiscouata railway.

We have with us today Mr. S. W. Fairweather, vice-president of the research and development department of the C.N.R. and Mr. Rosevear, K.C., solicitor for the C.N.R.

Is it your wish that we hear Mr. Fairweather on the general principles involved in the taking over of this railway and the passing of this bill? If it is agreeable I shall call on Mr. Fairweather to give us an exposition on the points involved.

Mr. FAIRWEATHER: Mr. Chairman, it was my understanding really that the representatives of the Canadian National Railways were here to answer questions regarding the negotiations for the acquisition by the government of the Temiscouata railway—questions relating to the condition of the property, the methods of operation and things of that description. The situation is simply that, upon receipt of advice from the minister that the decision had been reached to acquire this property, and that it was desired that the C.N.R. should act as agent to acquire the property, we entered into negotiations with the bondholders and succeeded in obtaining an acceptance of an offer, which offer is incorporated in the bill.

I can say that in my opinion the price is a reasonable one in that it really represents the liquidating value of the property. If you take the scrap value of the property and the realizable assets they amount to the price being paid. I do not know that there is any more in a general way that I can say.

The CHAIRMAN: Are we ready to consider the bill, or do you wish to hear from Mr. Rosevear?

Mr. GREEN: Let us hear him?

Hon. Mr. CHEVRIER: I do not know that Mr. Rosevear can add a great deal. He is the solicitor, and from the legal standpoint I suppose he can tell us the position in so far as the agreement is concerned. The question of economy is handled by Mr. Fairweather.

Mr. GREEN: Could Mr. Fairweather say something about the plans of the C.N.R. with regard to the Temiscouata railway?

Hon. Mr. CHEVRIER: I suppose he could but I put on record, as you know, what the intention of the Canadian National Railway was—namely that it should spend somewhere in the neighbourhood of \$1,100,000 to put these lines in shape. If there is some clarification desired on that matter perhaps Mr. Fairweather might say something.

Mr. FAIRWEATHER: All I can say is that this property, when it is turned over to the Canadian National Railways will be administered as prudently as possible. The property is undoubtedly run down and to raise it to what we call branch line standards would require in the foreseeable future somewhat more

than \$1,000,000 expenditure. That money will be spent partly to improve the road bed—the ballast is pretty well gone; partly to rehabilitate ties that have gone beyond their usefulness; and partly to improve rails and bridges. The bridges on the line were built for very light power and they will have to be reconstructed to stand, not our heaviest power, but at least power that would be suitable for a line of that description. The present locomotives have a tractive effort of 20,000 pounds and we would want to operate locomotives having a tractive effort of about 35,000 pounds. That would mean that we would have to strengthen the bridges. As far as service is concerned we will give what service the traffic would justify and which convenience and necessity would justify.

The CHAIRMAN: Even if you were to dieselize you would have to have heavier bridges?

Mr. FAIRWEATHER: Yes, actually with respect to the bridges, dieselization would be more difficult. Diesel engines weigh more for the same tractive effort.

Mr. HATFIELD: I would ask if any money is going to be spent to straighten the line. I understand it is the crookedest road in the world.

Mr. FAIRWEATHER: No, sir. We have no plans for straightening the line; the money to be spent is for improvement of the existing road bed and so on.

Mr. GREEN: Mr. Fairweather mentioned administering the line. Is there any way in which you can keep the accounts of this line separate from those of your system? The reason I ask that question is that, if there should be losses on this railway, it would seem unfair to have the Canadian National Railways showing that much additional loss. I wonder whether there is any way whereby you could administer it so that losses on this line would not show on your system?

Mr. FAIRWEATHER: The answer to that is that it could be done with a degree of approximation and at some expense. There will always have to be an approximation because the cost of overhead administration will have to be distributed. The cost of purchasing coal, for instance, could not be put down to the last cent. Coal purchasing would still have to be done through our organization. The accounting you mention could be done but it would add complexity to the accounts and it would cost some money to do it. As I say, it could be done if it were decided to do that sort of thing.

Hon. Mr. CHEVRIER: Once you take over a line and incorporate it in the C.N.R. it becomes rather difficult to keep separate accounts?

Mr. FAIRWEATHER: Decidedly, Mr. Minister. It is difficult and it involves what we call pro-rating. You have more or less to exercise your judgment and say how much of the common expense should be assessed against this company. It is a difficult thing to do and it also costs money.

Mr. GREEN: How much would it cost?

Mr. FAIRWEATHER: I would be really guessing on a thing like that but on a property of this size it would be quite a bit. You would have to maintain your pro-rating on all traffic; that would mean you would have to pro-rate every waybill if you wanted to figure it with any degree of accuracy. It would be considerable, but I would not want to name a figure.

Mr. HATFIELD: Are there any plans by the Canadian National Railways to extend this road from Connors over to the road running from Montreal to New London, to take care of freight originating in the maritime provinces and which is going to the United States? Now you turn the freight over at St. Leonard.

Mr. FAIRWEATHER: I am not quite sure that I understand your question.

Mr. HATFIELD: Has the C.N.R. any plans to extend this road from Connors into the United States and across to connect with the road running from Montreal or Richmond to New London, to take care of freight originating in the maritime provinces? Now the maritime provinces pay about 20 per cent more on freight going to the United States than is the case with the freight on the C.P.R. going from New Brunswick to the United States.

Mr. FAIRWEATHER: I know of no such plans.

Mr. HATFIELD: Have you not got any plans for the road?

Mr. FAIRWEATHER: I know of no such plans, but I would point out actually that the National Transcontinental Railway makes a connection with this branch at Edmundston.

Mr. HATFIELD: I know that.

Mr. FAIRWEATHER: There is also a road over from Montreal which is just as short.

Mr. HATFIELD: Not to the southern United States?

Mr. FAIRWEATHER: Yes, just as short, I can say.

Mr. HATFIELD: Why do you not turn the freight over to the Transcontinental at Edmundston?

Mr. FAIRWEATHER: A good deal of freight is turned over there.

Mr. HATFIELD: Why do you turn any over at St. Leonard?

Mr. FAIRWEATHER: The shipper decides the route. The gateway is open and the shipper decides which way to ship. I will tell you this. We do secure a long haul on every pound of freight that we can, and we secure quite a little bit.

Mr. HATFIELD: Why do the shippers in Prince Edward Island have to pay 10 and 20 per cent more on goods going to the southern part of the United States—not the western part—than shippers in New Brunswick do on the C.P.R.?

The CHAIRMAN: Strictly speaking I do not think that is a fair question to ask Mr. Fairweather. He has nothing to do with rates.

Mr. HATFIELD: They have plans of a road across there.

The CHAIRMAN: Perhaps we could see the country where this road runs. It might be some help to the members.

Mr. FAIRWEATHER: This road runs from Riviere du Loup to Edmundston, across the end of the Appalachian mountains. It connects at Edmundston and also at Riviere du Loup with the Canadian National Railways. There is a branch which runs from Edmundston up to Connors. A portion of it from Edmundston to Baker Brook was abandoned and running rights are granted to the Temiscouata over the N.T.R. from Baker Brook to Connors. The portion of the line now extends from Edmundston to Riviere du Loup and from Baker Brook to Connors. At Edmundson it joins the Transcontinental—this red line running down here into Quebec. Then it joins the old I.C.R. running from St. Hyacinthe to Montreal. To points in the United States traffic would flow down the Central Vermont Railway here to reach points in the United States. That would be the preferred ratings which exist.

As I said, and as you can see, this road is already as short as feasible. It runs down to the United States and these are alternate routes.

Mr. HATFIELD: Was there any subsidy received from the provincial governments of Quebec and New Brunswick when this line was built?

Mr. FAIRWEATHER: I believe there is a history of those subsidies; subsidies were received by this line.

Mr. HATFIELD: What were they? Did they receive land subsidies or cash subsidies?

Mr. FAIRWEATHER: I believe they received subsidies partly in land and partly in cash.

Mr. HATFIELD: Most of it must have been land; that is why the road is so crooked.

Mr. FAIRWEATHER: It was a very long time ago and the property as it stands now consists only of the railway.

Mr. HATFIELD: Yes, but do they have any obligations to the provincial governments?

Mr. FAIRWEATHER: Mr. Rosevear advises me that there are no obligations that he knows of.

Mr. HATFIELD: What has become of the land that was given by the provincial governments in subsidies? Has that been sold?

Mr. FAIRWEATHER: I believe there is a record of its sale.

Mr. FOLLWELL: I understood Mr. Fairweather to say that the Canadian National Railways proposes to build this railway line—the track and the bridges—up to sufficient strength to run heavy power, and that they would run heavy power over it.

Mr. FAIRWEATHER: I did not say quite that. I said that we would strengthen the bridges to run heavier power than the bridges can now stand. I doubt whether we would construct bridges to bear the heaviest power. I doubt whether we would consider that line suitable for the movement of the heaviest power. I expressed the thought that the present bridges could stand a tractive effort of 20,000 pounds and that we would probably strengthen them to the point where a locomotive of a tractive power of 35,000 pounds could move. To get the perspective, our heaviest power is a locomotive with a tractive effort of 65,000 pounds. My mentioning the tractive effort of 35,000 pounds gives you the sort of target that we would shoot at.

Mr. FOLLWELL: You would not run the 65,000 pound effort over them?

Mr. FAIRWEATHER: No, no. We would run our consolidation type of locomotive or say a 1,000 horsepower locomotive.

Mr. GREEN: What is the position with regard to highway competition for the railway?

Mr. FAIRWEATHER: It was highway competition that brought this railway to its knees. This railway never earned any substantial money on its funded debt and it went bankrupt to that extent, but it was managing to get by and to earn a little until highway competition became acute. The effect of highway competition was simply that it took all of the high value traffic away and left only the low grade hauls—pulpwood, cordwood, slabs, lumber, and a little inbound coal. All of the high value commodities and all of the passenger traffic moved over the highway. That is why the road got into such financial difficulty in the '30's and measures had to be taken to keep it alive.

Mr. GREEN: Is that position worse today or better?

Mr. FAIRWEATHER: It is much worse; they only had a gravel road in there before but now the provinces have completed or are just about to complete a hard surfaced road. The situation has gotten to a point where there is now no passenger train service at all, except by mixed train. There is almost no high class l.c.l. traffic moving at all. The traffic that comes off the line is almost exclusively carload traffic of low value commodities like posts, lumber, slabs and pulpwood.

The CHAIRMAN: Are you ready for clause 1?

Mr. GREEN: May I ask about the agreement itself? Apparently the purchase is from the bondholders and I wonder whether one of the officers could tell us about the share structure? What is happening to the ordinary shares?

Hon. Mr. CHEVRIER: I think Mr. Rosevear could deal with that but, in the agreement, if you have read it, you will see that it has been pretty well covered. One of the old acts stated that, provided a majority of shareholders or bondholders at a duly authorized meeting approved of the sale, it would be legal to sell it to the government. That is contained in several of the "whereas" clauses in the bill.

Mr. GREEN: Have all the bondholders agreed to this sale or just the majority?

Hon. Mr. CHEVRIER: I think that all but one have done so.

Mr. ROSEVEAR: Mr. Chairman and gentlemen:

The bondholders years ago formed a committee in London, England, and they incorporated this committee and they did that for the express reason of overcoming the difficulty of having bonds dispersed amongst a wide number of people. That committee now controls all the bonds of the Temiscouata railway except £100 of which they have not been able to find the owner. As far as that £100 is concerned the scrip certificate which represents the £100 will be deposited with the trustee for the bondholders and held there indefinitely along with such cash as is necessary to pay that person if he ever turns up. I can say as far as the bondholders are concerned that the committee in London has full power to deal with the securities and to sell the railway.

Mr. GREEN: What about the shareholders?

Mr. ROSEVEAR: The shareholders have not taken an interest in this property and have not appeared on the scene for over forty years. Away back in 1908 a circular was sent out by the bondholders committee in London dealing with the problems of the railway and there have been no transfers of shares on the books. There was only one share certificate ever issued and that was issued to some promoters in London who have not been in existence for at least twenty or thirty years. No one knows where they are. For over forty years the shareholders have never taken any interest whatsoever in this property.

Perhaps I might add that an advertisement was duly inserted in the *London Times* and in the *Canada Gazette*, in accordance with the act, advertising the general meeting, so that any person who did want to come to the meeting and take an interest in it had an opportunity at least to see the advertisement.

Mr. GREEN: Is this a general meeting of the bondholders?

Mr. ROSEVEAR: A general meeting of the bondholders and shareholders. That was the way the meeting was advertised. As I say, we know for a fact that this firm to which the share certificate was issued has not been in existence for over twenty years. We do not know where the people are who were once interested in it. As far as the rest of the shareholders are concerned they have all gone to their rewards and nobody knows anything about them.

Hon. Mr. CHEVRIER: May I ask a question? There is machinery provided in an old act for foreclosing the shareholders?

Mr. ROSEVEAR: Yes. I might say that in 1904 the Temiscouata bondholders came to parliament and got an act which gave them the power to sell the railway to the Crown and a certain procedure was to be gone through to do it. The act says "a special general meeting of the shareholders and bondholders". Now a legal opinion has been given that the special general meeting was perfectly legal even though you did not get any shareholders at it because the act says "a meeting of the shareholders and bondholders" but, in order to make doubly sure and take proper precautions, we are having this agreement ratified by parliament—at least we are requesting parliament to ratify it.

Mr. GREEN: What protection is there against some of these people turning up in a year or five years?

Mr. ROSEVEAR: The only answer I can give is that the solicitors for the Temiscouata railway have given the opinion that if this act is passed in its present form no such claims can exist.

Mr. GREEN: Is that also the opinion of the solicitors for the C.N.R.?

Mr. ROSEVEAR: That is right.

Mr. ADAMSON: I notice that in the act you have agreed to pay the bondholders at the current rate—that is at the current devalued rate?

Mr. ROSEVEAR: No, we have agreed to pay the bondholders in Canadian dollars at the current rate of exchange. In other words what they would get is \$480,000. They can turn that into the number of pounds that they can buy with that number of dollars.

Mr. ADAMSON: Well it says somewhere in the act that it is as of a certain date, which is before devaluation?

The CHAIRMAN: That is in clause 2.

Mr. ADAMSON: I would just ask the question whether the bondholders are going to get \$2.80 for their pound or \$4.03 for their pound. They are apparently going to get \$4.03.

Mr. ROSEVEAR: Yes.

Mr. GREEN: How much of the \$480,000 is for goodwill?

Mr. ROSEVEAR: None at all. The \$480,000 is made up of the value of the property—its scrap value; plus certain current assets which the company has in the form of some Dominion of Canada bonds, and some cash. As a matter of fact, as far as price is concerned, I think that a very good arrangement was made with the bondholders.

Mr. GREEN: What about provision for liabilities? Are there any outstanding liabilities?

Mr. ROSEVEAR: Perhaps I should explain, as soon as the bondholders in London accepted the offer which was made to them, they agreed and the company agreed—you must differentiate the company from the bondholders although the bondholders control the company—that a trustee would be appointed by the C.N.R. to step right into the picture. Since September the 1st of this year there has been a C.N.R. trustee down there who has watched the expenditures on the Temiscouata railway. Prior to September 1st we knew what the assets were and we knew what their securities were. Since that time our trustee will certify to us that only expenditures in operation of the property have been incurred. Does that answer the question?

Mr. GREEN: It is under paragraph 5 of the agreement.

The CHAIRMAN: Well we are a little ahead of ourselves. We could ask that question when we come to it.

Mr. ADAMSON: I wish to ask one more general question. This railway does not traverse any of the grounds upon which they are now prospecting for copper and oil? It is far too far to the west? Those resources are all in the Gaspé peninsula?

Mr. FAIRWEATHER: Yes.

Mr. ADAMSON: This is not over precambrian rock at all?

Mr. FAIRWEATHER: Actually there is a core of the ancient Appalachian complex and this railway runs right over the top of it. All I can say as to mineral possibilities is that nothing of any significance has been found in that area. I would not say that it will not be found but I say that nothing has been discovered and I know of no prospectors that are active in that area. The economic value of the territory so far as it can be sized up is in agriculture and forestry.

The CHAIRMAN: Are you ready for clause 1? Shall clause 1 carry?

Carried.

Clause 2?

Carried.

I believe Mr. Green has a question on the schedule.

Mr. GREEN: Under section 1 of the agreement are there any encumbrances except this bond issue?

Mr. ROSEVEAR: There are no other encumbrances. We have searched the record and have been unable to find any. The usual legal steps will be taken before the purchase price is paid to make sure that the title is clear. The bonds themselves will be surrendered to us, and in due course they will be destroyed. Actually we will get into our possession everything that the Temiscouata railway has.

Mr. HATFIELD: Will you tell us what percentage of freight was formerly turned over by the Temiscouata to the C.N.R. at Edmundston, and what percentage was turned over to the C.P.R.

Mr. FAIRWEATHER: Of course, we would not know precisely, but I believe it would be a fair statement to say that between a quarter and one third is turned over to the C.P.R. and from about two-thirds to three-quarters to the C.N.R.

Mr. HATFIELD: Most of the revenue is derived from shipments of lumber?

Mr. FAIRWEATHER: Most of the revenue is derived from forest products.

The CHAIRMAN: Any other questions on the schedule?

Mr. GREEN: Clause 5 of the agreement of sale:

The government shall assume the current liabilities of and the legal claims of third parties and employees against the Temiscouata at the date of ratification and confirmation of this agreement.

What is covered by that?

The CHAIRMAN: What page is that?

Mr. GREEN: It is at the bottom of page 4.

Mr. ROSEVEAR: "The government shall assume the current liabilities". Of course, that would be the current liabilities in operating the property such as fuel bills and all the current liabilities that exist at the date we take it over. Of course, by the same token we get all the cash and the bonds that the company has. "And shall pay the legal claims of third parties and employees". That would be in the event there are outstanding claims for freight or personal injury. I might explain in connection with that that we could not make a deal with the bondholders unless we could give them a firm price because they had to hold a meeting and had to tell their security holders what the security holders were going to receive, and therefore we had to cut the thing off at a certain date; so you can pay us all the money, your bonds and your assets, and we will pay the current liabilities and the claims of third parties; and then "employees", well, the bondholders were a little worried about employees having some right of action against the company. You notice the word "legal" is used; a claim that is not legal of course is not recognized.

Mr. GREEN: Do you know of any such liabilities or claims?

Mr. ROSEVEAR: Of course, as I say, our auditors have been in since the first of September and I think as of the 31st of August they made a report to us. Mr. Fairweather has that; perhaps he could answer that question.

Mr. FAIRWEATHER: Here are the current liabilities as shown on the certified balance sheet of August 31, 1949: for unpaid wages, \$9,363; for traffic accounts,

\$2,345; for sundry accounts, \$16,803; for interest accrued and unclaimed on consolidated mortgage income bonds, \$2,087; total, \$30,598.

Mr. GREEN: Were there any legal claims at all?

Mr. FAIRWEATHER: Well, that is the only place where you find a liability in this statement I have read out. The only other liabilities that are shown are the liabilities for share capital and for the consolidated mortgage income bonds which are here being purchased.

Hon. Mr. CHEVRIER: While you are on that would you mind putting on the record the current assets?

Mr. FAIRWEATHER: The current assets consist of the following: Cash in Canada, \$26,203; Cash in London, \$1,594; Outstanding traffic accounts, \$15,744; Outstanding sundry accounts, \$10,931; Materials and supplies, \$99,510. And then I think I should mention, Mr. Minister, that in addition there are \$100,000 in Dominion of Canada bonds held in Canada and another \$19,000 of bonds held in Canada and \$2,392 held in the treasury in London; and all these assets come to the government as the purchaser of the property.

Hon. Mr. CHEVRIER: So there is on the assets side something in the neighbourhood of \$275,000.

Mr. FAIRWEATHER: It adds up to about \$275,000.

Hon. Mr. CHEVRIER: As opposed to \$30,000 current liabilities.

Mr. FAIRWEATHER: Yes.

Mr. McCULLOCH: Is that money held in London in pounds sterling or dollars?

Mr. FAIRWEATHER: It is shown as £500 and then on the balance sheet it is shown as \$2,392. That is how the accountant took it into the books.

Mr. RILEY: I wonder if Mr. Fairweather would explain what provision has been made or contemplated with respect to the employees of the present Temiscouata railway.

Mr. FAIRWEATHER: When this property is entrusted to the Canadian National these men will become employees of the Canadian National Railways and as such they will have all the rights, privileges and obligations of employees of the Canadian National.

Mr. RILEY: Will their seniority as to the C.N.R. date back to the date when they first became employed on the railway?

Mr. FAIRWEATHER: That is a technical point but I can say this, that their seniority will certainly be respected in what is called homestead territory—that is in the territory where they have worked. They will have seniority dating back to their original date of employment. What seniority they might have on a district or region basis would be a matter for negotiation.

The CHAIRMAN: Shall the schedule carry?

Carried.

Shall the title carry?

Carried.

Shall I report the bill?

Carried.

There is one point we overlooked. The explanatory appendix is on page 7. I do not think we need to carry that especially. Now, how many copies of this

record shall be printed? I would suggest five hundred in English and two hundred and fifty in French unless anyone thinks otherwise. Would that be satisfactory?

Agreed to.

Mr. POULIOT: I thank you very much. You are rendering a public service; and to use the words of the railroad magazine "The Temiscouata serves proudly and well".

The CHAIRMAN: There is nothing before the chair, gentlemen.

The committee adjourned.

SESSION 1949 (2)
HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

MINUTES OF PROCEEDINGS AND EVIDENCE

in relation to

Bill No. 12

An Act to Establish the Canadian Overseas Telecommunication Corporation

TUESDAY, NOVEMBER 8, 1949

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1949

ORDERS OF REFERENCE

HOUSE OF COMMONS,
Wednesday, 12th October, 1949.

Ordered.—That the following members do compose the Standing Committee on Railways, Canals and Telegraph Lines—

Messrs.

Adamson	Gibson (<i>Comox-Alberni</i>)	McLure
Beaudry	Gillis	Murphy
Bennett	Goode	Murray (<i>Cariboo</i>)
Bertrand	Gourd (<i>Chapleau</i>)	Nixon
Beyerstein	Green	Noseworthy
Black (<i>Cumberland</i>)	Harrison	Pouliot
Bonnier	Hartt	Richard (<i>St. Maurice-</i> <i>Lafleche</i>)
Bourget	Hatfield	Riley
Breithaupt	Healy	Robinson
Cannon	Herridge	Rooney
Carroll	Hodgson	Ross (<i>Hamilton East</i>)
Carter	James	Shaw
Chevrier	Jutras	Stuart (<i>Charlotte</i>)
Clark	Lafontaine	Thatcher
Darroch	Lennard	Thomas
Dewar	Macdonald (<i>Edmonton</i> <i>East</i>)	Thomson
Douglas	Maybank	Weaver
Eudes	McCulloch	Whiteside
Ferguson	McGregor	Whitman—60.
Garland	McIvor	
Gauthier (<i>Portneuf</i>)		

Ordered.—That the Standing Committee on Railways, Canals and Telegraph Lines 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.

Friday, October 21, 1949.

Ordered.—That the following Bill be referred to the said Committee:—

Bill No. 12, an Act to establish the Canadian Overseas Telecommunication Corporation.

Wednesday, October 26, 1949.

Ordered.—That the name of Mr. Follwell be substituted for that of Mr. Bennett on the said Committee.

Tuesday, 8th November, 1949.

Ordered.—That the said Committee be granted leave to sit while the House is sitting.

Ordered.—That the quorum of the said Committee be reduced from 20 to 12 members and that in relation thereto Standing Order (63) (1) (b) be suspended.

Ordered.—That the said Committee be empowered to print, from day to day, 700 copies in English and 250 copies in French of its minutes of proceedings and evidence and that Standing Order 64 be suspended in relation thereto.

Attest.

LÉON J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE OF COMMONS

TUESDAY, 8th November, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as a

FIRST REPORT

Your Committee recommends:

1. That it be granted leave to sit while the House is sitting;
2. That its quorum be reduced from 20 to 12 members and that in relation thereto Standing Order 63 (1) (b) be suspended;
3. That it be empowered to print, from day to day, 700 copies in English and 250 copies in French of its minutes of proceedings and evidence and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

L. O. BREITHAUPT,
Chairman.

(Concurred in this day.)

TUESDAY, November 8, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as a

SECOND REPORT

Your Committee has considered Bill No. 12, "An Act to Establish the Canadian Overseas Telecommunication Corporation", and has agreed to report the said Bill without amendment.

All of which is respectfully submitted.

L. O. BREITHAUPT,
Chairman.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,
TUESDAY, 8th November, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11 o'clock a.m.

Mr. L. O. Breithaupt, Chairman, presided.

Members present: Messrs. Beyerstein, Bonnier, Breithaupt, Cannon, Carroll, Carter, Chevrier, Follwell, Gauthier (*Portneuf*), Gibson (*Comox-Alberni*), Gourd (*Chapleau*), Green, Harrison, Hatfield, Healy, Herridge, Lafontaine, Lennard, Macdonald (*Edmonton East*), McCulloch, McIvor, McLure, Murphy, Murray (*Cariboo*), Noseworthy, Pouliot, Riley, Rooney, Shaw, Weaver.—30.

In attendance: (From Department of Transport) Messrs. C. P. Edwards, CMG, Deputy Minister for Air; W. J. Matthews, General Counsel; W. E. Connelly, Superintendent of Radio; (From Canadian Marconi Company) Messrs. S. M. Finlayson, General Manager; D. F. Bowie, Traffic Manager; J. Fergus, Secretary and Treasurer; and Messrs. F. E. Richens, Ottawa Manager, Canadian National Telegraphs; A. Swinton, Manager, Western Union International Communications, Toronto; W. G. Keating, Supervisor, Contracts and Tariffs, Canadian Pacific Communications.

Mr. L. O. Breithaupt expressed appreciation of his re-election to act as Chairman of this Committee.

On motion of Mr. Lennard:

Resolved: That the Committee recommend that it be granted leave to sit while the House is sitting.

On motion of Mr. McCulloch:

Resolved: That it be recommended that the quorum of this Committee be reduced from 20 to 12 members.

On motion of Mr. Hatfield:

Resolved: That the Committee ask to be empowered to print, from day to day, 700 copies in English and 250 copies in French of the minutes of proceedings and of the evidence taken before the Committee.

The Committee proceeded to consider, clause by clause, Bill No. 12, "An Act to establish Canadian Overseas Telecommunication Corporation".

The Honourable Mr. Chevrier (Minister of Transport) made a statement and was questioned thereon.

Mr. W. E. Connelly, Superintendent of Radio, Department of Transport, read a brief and was questioned thereon.

Statements were made by Messrs. C. P. Edwards, Deputy Minister, Department of Transport and S. M. Finlayson, General Manager, Canadian Marconi Company.

Clauses 1 to 25 of the Bill, both inclusive, were considered and adopted without amendment.

The title was carried.

On motion of Mr. McCulloch:

Ordered: That the Chairman report the bill without amendment.

The Committee adjourned at 12.55 p.m., to meet again at the Call of the Chair.

T. L. McEVOY,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
November 8, 1949.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11.00 a.m. The Chairman, Mr. L. O. Breithaupt, presided.

The CHAIRMAN: Gentlemen, we have a quorum for the committee so we will get started. In the first place I want to thank the members of the committee for reappointing me chairman. As in the past, we will try to do our best to get the business in hand done with the greatest possible despatch. It seems to me that it is not stretching the point at all to state that as is usually the case there are a lot of serious matters to come before this committee. Certainly what was said in the House at the beginning of the session, that with reference to various committees some of them did not have enough to do—that statement could not very well be applied to this committee, not only in the light of its past experience but also considering the reference which has been made to us for this session.

Our first business will be to dispose of routine motions.

(See *Minutes of Proceedings*.)

The CHAIRMAN: Gentlemen, we now come to consideration of Bill No. 12. I assume it is your wish that we consider the bill clause by clause; and if that is the case, before we proceed further, I will call clause 1. And I think at this point, if you are agreeable, we might hear a short statement from the minister in connection with the Bill which we are now to consider, and of which I hope everyone has a copy. If you have not, there is a supply of additional copies here.

HON. MR. CHEVRIER: Mr. Chairman and gentlemen, if it is your pleasure I would simply like to say very briefly that this matter has been under discussion now on at least two occasions; once when the resolution preceding the bill came up in the House, and again on second reading when the bill was referred to this committee for consideration. To recapitulate what has already been said, let me say that Bill 12, "An Act to Establish the Canadian Overseas Telecommunication Corporation," was presented to Parliament because of an agreement, an intercommonwealth agreement, which was signed in London on the eleventh day of May, 1948, by all members of the commonwealth in which it was agreed that we would nationalize our telecommunications, our external telecommunication services. The Acting Prime Minister of the day, The Right Honourable Mr. Ilsley, made a statement in the House of Commons shortly after this agreement was signed by Canada that Canada would implement the agreement, and that is being done by this bill.

The bill has two purposes. First, to acquire the external telecommunication facilities of Canadian Marconi Company, Limited, and of Cable and Wireless Limited in this country. That is the first object. The next object is to do this through the medium of a crown company. It could be done by means of a division of the Department of Transport. That has even been suggested in the discussions in the House, but I do not feel that that would be nearly as effective as the establishment of a crown company.

Then, concerning the assets to be taken over. I will not go into that in detail because more comprehensive data will be placed before you for discussion and consideration. They are the assets of Canadian Marconi and of Cable and Wireless. I do not need to state them here, but they have been put on the

record in the House in a general way. The cost of taking these over, of course, cannot be known definitely. A guess has to be taken at it, and the officers of the department in consultation with others have put a valuation on these assets; but the amount of \$4,000,000 is mentioned in the bill because it is felt that it will not require an amount exceeding \$4,000,000; and in view of the fact that any resolutions requiring the expenditure of public funds must have an amount, our officers used that figure, because it was estimated that the purchase price should certainly not exceed that. You will hear from them as to how they arrived at the valuation. You will hear from them as to what they think it is worth. But, although I am not attempting to limit the activities of the committee in any way, I hope you keep this in mind; that the assets of Canadian Marconi and Cable and Wireless have yet to be purchased and prolonged discussion may make it more difficult or more costly for the government to purchase at a price we think they are worth. Now, the assets of Canadian Marconi and Cable and Wireless which are being taken over represent property and equipment used in connection with external communication services; they do not include any of their other assets such as radio broadcasting stations.

This crown company we are talking about will not take over assets of that nature in any way whatsoever. And I would refer again to the information which I gave the House when discussing this matter, that we are not taking over any liabilities either. The information indicates that on the telecommunications side Marconi showed a substantial profit in 1948.

The question arises, of course, why are we taking these facilities over? As I said a moment ago, it is because we are committed; and there is another reason and that is for strategic purposes. It was agreed generally that we should have control in time of emergency over our telecommunications system. For many years these services were under the control of Cable and Wireless and their policies were not acceptable to the various commonwealth countries; so they gathered for many conferences, the last of which took place in England, and they agreed to this method of proceeding.

Some suggestion was made during the debate concerning monopoly. I will not go into that now because there are some technical officers here who will be able to do that. I do not think this nationalization will create a monopoly in any sense because there is a considerable amount of competition as it is now.

Mr. McLURE: May I ask the minister one question?

Hon. Mr. CHEVRIER: Yes.

Mr. McLURE: Will this create a monopoly?

Hon. Mr. CHEVRIER: It will not, in so far as Canada is concerned; the same action is being taken by the United Kingdom government. They have agreed to do the same thing as we have under this agreement, and they have already nationalized their telecommunications system over there.

Mr. McIVOR: It is nationally owned?

Hon. Mr. CHEVRIER: Every commonwealth country will participate in it.

Mr. McLURE: But this bill gives the power to take over the Canadian interests in telecommunications?

Hon. Mr. CHEVRIER: That is right.

Mr. McLURE: You do not have any control over cables?

Hon. Mr. CHEVRIER: Over cables, no.

This bill, if you will look at it quickly, may be divided into five parts: First, it establishes a crown company; next, it sets out the powers and purposes of the company; thirdly, it provides that company with a staff; fourthly, it defines financial arrangements and the limitations of the corporation; and lastly, it sets up rules and regulations to govern its operations. Clause 3, and other clauses succeeding, establish the corporation. Provision is made for a

board of directors, one of whom is to be president and general manager; and who, together with the Vice-President, will be appointed by the governor-in-council for a term of seven years. There are to be five directors. Four of them would not be paid for their services, save and except for their attendance at meetings. There will therefore be only one salaried member of the board of directors. Then the corporation will be an agent of the crown. This is the same procedure which was followed in the case of the crown companies set up in the Department of Munitions and Supply during the war, as in the case of the National Harbours Board, and in the case of the crown companies which now operate.

With respect to financial arrangements, you will note that this company's powers are limited in so far as the purchase of materials is concerned, and the entering into contracts and leases and the like. That will be dealt with as we go on. Finally, the Minister of Finance is authorized to advance the funds necessary to take over these assets plus the advance of a fund necessary for working capital, and he is authorized to make loans to the corporation from time to time. Any profit that is made will be paid into the federal treasury and any deficits that occur will be paid by a vote in the estimates.

There are several officers of the department here prepared to discuss the bill. Mr. Connelly is the technical man and he is quite familiar with that aspect of it. I have to deal, of course, only with questions concerning general policy. I am not competent to deal with purely technical matters. Unless you have some further questions you would like to ask on policy, and if you are ready at this stage, perhaps the best procedure would be to hear Mr. Connelly and then we can get into a general discussion after he has made his statement.

The CHAIRMAN: If that is quite agreeable to the committee, Mr. Minister, and it appears advisable, we will accept your suggestion that at this point we hear Mr. Connelly who is Superintendent of Radio in the Department of Transport. I believe Mr. Connelly has prepared a statement for distribution which will now be made available to the members. We will now call Mr. Connelly:

Mr. ROONEY: May I ask a question at this point? Who will be the manager of this company, Mr. Minister?

Hon. Mr. CHEVRIER: The president will be the manager, and there will be a vice-president. Neither of these officers has been selected as yet, of course.

W. E. Connelly, Superintendent of Radio, Department of Transport, called:

The WITNESS: Mr. Chairman and gentlemen, the information I have prepared is now before the committee. This memorandum contains information which we feel is relevant to the subject that you have under consideration. I have gone through many files, we have many volumes of information on our files, but we feel that this is giving you the subject as it is. We are quite prepared to give further information if that is considered necessary. Now, Mr. Chairman, I deal first in this memorandum with:

INFORMATION RELATING TO BILL TO ESTABLISH THE OVERSEAS TELECOMMUNICATION CORPORATION

I Cable System

Prior to the gradual development of long distance radio communication during the first quarter of the 20th Century, the various parts of the British Commonwealth were linked together by submarine telegraph cable systems partly operated by the United Kingdom Post Office, partly by private enterprise

and partly by the "Pacific Cable Board" which was controlled jointly by the Governments of the United Kingdom, Canada, Australia and New Zealand.

II *Development of Long Distance Radio Communication*

1. With the expansion of the radio services a situation developed whereby the cable undertakings operating between the constituent parts of the Commonwealth would be unable to continue on a paying basis in the face of unrestricted competition on the part of the "Beam Radio Services", which were operated by the Post Office in the United Kingdom and by private companies in the other Commonwealth countries. In Canada the Beam Service is operated by the Canadian Marconi Company. To examine this situation the "Imperial Cable and Wireless Conference" was called in London in 1928.

2. The result of this conference was the merging of certain cable and radio interests under one company known as "Imperial and International Communications Limited" (I. & I.C.) with a capitalization of £30,000,000. (In 1935 the name was changed to "Cable and Wireless Limited".)

3. At the same time, in order to protect the interests of the various governments, a Commonwealth Communications Advisory Committee (C.C.A.C.) was set up consisting of representatives of each of the Dominions and Colonies with certain powers of control over policy, services and rates etc. This committee was the official means of communication between the various governments and the company. The title was changed in 1944 to "Commonwealth Communications Council" and in 1949 to "Commonwealth Telecommunications Board".

Mr. CARROLL: May I ask a question there? How about the government of the Commonwealth of South Africa, do they not have control over this there?

The WITNESS: I did not get your question.

Mr. CARROLL: I see that you have left out the government of South Africa, do they not have control over their own communications? I notice they are not mentioned.

The WITNESS: I should have mentioned South Africa, yes. South Africa has taken over control of their communications.

HON. Mr. CHEVRIER: They signed the agreement.

Mr. CARROLL: I merely asked that question because I noticed that South Africa had not been included in your statement.

The WITNESS:

III *Agreement with Imperial and International Communications Limited*

1. In 1929 the C.C.A.C. negotiated an agreement with the I. & I.C. whereby the standard net revenue of the latter was fixed at £1,865,000 or approximately 6 per cent and all earnings in excess of this amount were to be divided, 50 per cent to the company and 50 per cent to the reduction of rates or to such other purpose as the Advisory Committee might approve.

It was not long after the formation of the I. & I.C. that the unsatisfactory operating position of the Company became apparent. In addition to the adverse trade conditions of the depression years of the thirties it was found that the Company had to contend with the competition of foreign rivals, particularly foreign radio communication Companies, and also the development of further radio services within and without the Commonwealth all of which resulted in a marked decrease in the volume of traffic when compared with traffic handled in 1929. In fact, between 1929 and 1937, the Company failed in any year to earn the standard net revenue of £1,865,000.

IV New Agreement with Cable and Wireless Ltd. (Ex. I. & I.C. Ltd.)

1. An "Empire Rates Conference" was held in 1937 at the request of the Company, when the standard net revenue was reduced to £1,200,000 or 4 per cent of the capital of the Company. The Company had asked for an increase in rates but the Conference considered that the rates between many parts of the Empire were too high, for example, the rate at that time from Canada to South Africa was 58c, to India 51c and to the Malay States 86c per word. As a result of this Conference, there was established in 1938 a maximum per word rate of 30c on ordinary messages exchanged between any two places within the Commonwealth with the proviso in each case, that no existing rate would be increased. The rates between Canada and the United Kingdom, therefore, were not affected but the rates between Canada and many other parts of the Commonwealth were considerably reduced.

2. In return for this reduction of rates by the Company, in many relations, the Commonwealth Governments agreed:

(a) to maintain the policy of concentrating overseas telegraph traffic on the systems of Cable and Wireless Limited and its associates;

(b) to use their best endeavours to stop the circulation of traffic over foreign services using circuitous routes, and to resist the routing of traffic through foreign organizations not established in their respective territories where the Cable and Wireless Limited system has a suitable route which can carry the traffic;

(c) to continue the policy of resisting the authorization or opening of new circuits which would be detrimental to Cable and Wireless Limited or its associates in the British Empire;

(d) to afford Cable and Wireless Limited and its associated Companies overseas the opportunity of taking over on reasonable terms any external commercial wireless telegraph transmission services in the extra-European system at present operated by Governments where or if such services compete with the Companies' services;

(e) to extend Cable and Wireless Limited's agreements and licences so as to run concurrently for 25 years with the United Kingdom licences, subject to such modifications as may be necessary arising from these proposals;

(f) to grant the Company, subject to reimbursement of actual out-of-pocket expenses, reasonable facilities for publicity in the offices of the Empire Administrations and in official publications dealing with communications;

(g) not to require terminal or transit payments on traffic handled exclusively by Cable and Wireless Limited and its associates.

V Direct Radio Circuits

1. Notwithstanding these commitments, direct radio circuits were established during the war, between the United States and many parts of the Commonwealth, including Australia, New Zealand and India. Originally such circuits were placed in operation for the duration of the war and for six months thereafter. It became evident however, that it would be inexpedient to insist on closing some of these direct circuits.

2. The problems arising from the opening of these direct circuits were considered at the "Commonwealth Telegraph Conference" held in Australia in 1942. One of the conclusions reached by this Conference was that the system as a whole was related perhaps in too great a degree to the extensive cable system which had been built up over a period of many years. On the other hand, it was recognized that although radio circuits had economic advantages, they had not attained complete superiority over submarine cables

and that for this reason, continued maintenance of the cable services was essential to an overall efficient telecommunication service. Accordingly, it was recommended by the Conference that the Commonwealth Communications Council should undertake a complete review of the communication system of the Commonwealth with the object of evolving a system which would ensure proper provision for the development of wireless communication and co-ordination between wireless and cable communication.

VI *Commonwealth Partnership*

The Commonwealth Communications Council in their report concluded that it had become imperative to consolidate and strengthen the wireless and cable systems of the Commonwealth. Negotiations among the various Governments of the Commonwealth commenced in the summer of 1944 following recommendations submitted to them by the Council, in favour of a policy of Commonwealth partnership. Early in 1945, Lord Reith, on behalf of the United Kingdom Government, visited each of the Dominions to explain the point of view of the United Kingdom. Following these discussions with Lord Reith, a Commonwealth telecommunications conference was held in London in July, 1945. The conference unanimously recommended public ownership by all the Commonwealth Governments of their respective overseas telecommunications services. This would realize the main principle of the Statute of Westminster—namely, the establishment of partnership rather than control by one partner of the others. At the same time local sovereignty would be safeguarded.

VII *Commonwealth Telegraphs Agreement*

1. As a result of the 1945 and subsequent Commonwealth conferences, an agreement called the "Commonwealth Telegraphs Agreement" was signed by representatives of the Commonwealth Governments on May 11, 1948.

2. Under the provisions of this Agreement, each Partner Government is committed:

(a) to acquire the external telecommunication assets operating within its territory with the exception of "Cable Heads".

(b) to nominate an existing Department or establish a public corporation to be known as "The National Body" for the purpose of acquiring, operating and maintaining such assets.

(c) to representation on a "Commonwealth Telecommunications Board" to be established.

3. With respect to these commitments, the following observations are submitted:

(a) The respective Government of the United Kingdom, Australia, New Zealand, South Africa, India and Southern Rhodesia have already established their "National Bodies" and have either acquired or are in the process of acquiring the external telecommunication assets within their respective territories.

(b) The United Kingdom National Body is to operate and maintain all assets not situated in the territories of any Partner Government, and also the cable heads within such territories.

VIII *Assets to be Acquired by Canadian National Body*

CANADIAN MARCONI COMPANY

1. (a) *Drummondville, P.Q., Transmitting Station*

Station Site—640 acres located in St. Simon, Wickman Township, Drummond County, P.Q.

Station Building—Brick construction—Floor area—9739 sq. ft.

Housing radio telephone and telegraph transmitters, rectifier, motor generators, power distribution switchboards, radio circuit control, test and measurement apparatus, and including offices, staff quarters and machine shop facilities.

Pump House—Brick construction—floor area—732 sq. ft. Housing pumps, tanks, etc. for water and oil cooling of radio transmitters.

Garage & Carpenter's Shop—Concrete construction—floor area—639 sq. ft.

Staff House—Two storey, 13 rooms. Brick encased.

Two Dwellings—Two storey, 7 rooms. Brick encased.

Riggers Shed & Garage—Wood—floor area—809 sq. ft.

Quonset Hut—Storage—floor area—840 sq. ft.

Microwave Hut—Wood—floor area—120 sq. ft. Housing 4 VHF transmitting and receiving equipments for communication purposes with Yamachiche Station and the Central Telegraph Office, Montreal.

Water Cooling Pond—Associated with pump house equipment.

Telegraph Line Systems—Comprising overhead lines and buried cable between site entrance and station building.

Power Supply Facilities—Comprising high tension overhead line system from site entrance.

—Substation including 6—100 kw. transformers.

—Switching Tower.

Towers and Masts (erected)—Eight 300-ft. towers. 41 masts, 100 ft. approx., steel or wood.

Antennae—16 directional antenna systems complete with transmission lines, matching and switching facilities. 6 microwave directional aerials complete with wave guide, erected on 300-ft. tower.

(b) *Yamachiche, P.Q., Receiving Station*

Station Site—492 acres located in the Parish of Ste. Annes D'Yamachiche, County of St. Maurice, P.Q. Also 4.7 acres located in Pointe de Lac, P.Q. (part of water supply system).

Station Building and Staff Quarters—Brick construction—floor area 7,304 sq. ft. Housing radio receivers, frequency measurement equipments, feeder patching board, engine generator emergency equipment, circuit control test and measuring apparatus, power supply control facilities and including offices, unmarried staff quarters and machine shop facilities.

Garage and Carpenter's Shop—Concrete—floor area 639 sq. ft.

Four Dwellings—Brick encased, 6 rooms.

One Dwelling—Wood, 6 rooms.

Two Store Houses—Galvanized iron.

Garage—3-car, wood.

Microwave Hut—Wood—floor area 100 sq. ft. Housing 2 VHF transmitting and receiving equipments for communication purposes with Drummondville Station and the Central Telegraph Office, Montreal.

Water Supply System—Comprising 20,000 ft. of pipe, reservoir on Yamachiche site, and reservoir and filter at the Pointe de Lac site location.

Telegraph Line Systems—Comprising overhead lines and buried cable between site entrance and station building.

Tower and Masts—Eight 300-ft. towers. 38 masts (steel or wood), 65 ft. to 100 ft. height.

Antennae—16 directional antenna systems complete with transmission lines and matching devices. Three microwave directional aeri-als complete with wave guide, erected on 300-ft. tower.

(c) *Marconi Building at 211 St. Sacrament Street, Montreal*

Four-Storey Building—Stone and brick 80' 6" x 70' 3" with full basement, one elevator and 10 vaults, floor area approximately 25,000 sq. ft.—cubical content: Main building, 310,993 cu. ft.; basement, 48,659 cu. ft.; total, 359,652 cu. ft.

(d) *Toronto, Ont. and Vancouver, B.C., Production Offices*

FURNITURE AND STATIONERY

2. CABLE AND WIRELESS LIMITED

(a) *Bamfield, B.C.*

LAND

110 acres—All the company's buildings are erected on this land ($\frac{1}{2}$ acre leased to United Church of Canada).

80 acres—Contains a reservoir and standing timber.

BUILDINGS

Main Office—Instrument room, manager's offices, workshop, test, A.L., practice, records, stationery, store and battery rooms, etc.

Manager's Residence; Cottages Nos. 1-12; Flats Nos. 1 and 2—All occupied by company's staff.

"Batchelor" Quarters—Mess, library and billiard room—with bed and other rooms.

Quarters (Servants)—Occupied by servants.

(b) *Montreal, P.Q.*—Electrical equipment, furniture and stores.

(c) *Halifax, N.S.*—Electrical equipment, furniture, stores and underground lines between the C.P.R. office on Barrington Street and the Cable Heads in Point Pleasant Park.

(d) *Harbour Grace, Nfld.*—Land—One-third acre (approx.) Buildings—One two-storey brick, covering an area of 3,000 sq. ft. Electrical equipment, furniture, stores and landline from Harbour Grace to Brigus.

(e) *Toronto, Ont. and Vancouver, B.C. Production Offices.*

FURNITURE AND STATIONERY

(f) *St. John's Nfld.* The radiotelephone station and equipment in Newfoundland are owned by the Canadian Marconi Company and operated on their behalf by the Avalon Telephone Company.

It was not our intention originally to take over these assets, but now that Newfoundland is a province of Canada, the situation is somewhat different. We may or may not decide to acquire these assets, depending upon what agreement can be reached with the Canadian Marconi Company concerning their operations in Newfoundland.

IX *Funds to Acquire Above Assets.*

The estimated amount required to purchase these assets and to provide working capital for three or four months until revenue from earnings can be realized is \$4,500,000 made up as follows:

Purchase of Marconi radio transmitting and receiving stations and associated equipment	\$2,500,000
Purchase of the Marconi Building, including necessary alterations and transfer of certain cable and wireless equipment from the Canadian Pacific Telegraphs Building to the Marconi Building	350,000
Cable & Wireless, Limited, assets in Canada	700,000
Contingencies (11%) including an allowance for any award which may be made for goodwill	450,000
Working capital	500,000
	\$4,500,000

Mr. McLURE: I would like to ask one question here: does this mean that the Canadian Marconi Company are going out of business?

Hon. Mr. CHEVRIER: No, the Canadian Marconi Company would not go out of business in so far as its broadcasting stations or its radio manufacturing interests are concerned, but it will cease to operate its external telecommunication facilities.

The WITNESS:

X *Composition and Functions of the Commonwealth Telecommunications Board*

1. The Board shall consist of members, to be appointed, as follows:

- (a) One, a chairman, jointly by the Partner Governments.
- (b) One, by each of the Partner Governments separately.
- (c) One, by the United Kingdom Government to represent British

Commonwealth and Empire Territories not directly represented by other members.

2. The functions of the Board will be advisory and will include recommendations with respect to:

- (a) the formulation of joint telecommunication policy including rates;
- (b) the co-ordination and development of the wireless and cable systems of the Commonwealth;
- (c) the co-ordination with the appropriate authorities of telecommunication matters affecting the defence of the Commonwealth.
- (d) the co-ordination and conduct of research;
- (e) negotiations with foreign telecommunication interests, if requested to undertake these by the Commonwealth Governments.

XI *Representation on the Board*

1. From 1945 to 1947 Canada was represented on the Commonwealth Communication Council by Mr. W. A. Rush, Ex-Controller of Radio. In 1948, he was replaced by Mr. J. H. Tudhope, Ex-Traffic Manager of Trans-Canada Air Lines. Our representation on the Council has been augmented as required when matters of special importance are on the agenda. Commander C. P. Edwards, Deputy Minister for Air Services, attended the Council meetings in May, 1948, Mr. M. W. Sharp, Director, Economic Policy Division, Department of Finance, in October 1947 and Mr. W. E. Connelly, Superintendent of Radio has attended on several occasions.

2. The Commonwealth Telecommunications Board came into existence on 31st May, 1949, the date on which the British "Commonwealth Telegraphs Act"

received Royal Assent, and Canada has informed the United Kingdom Government that Mr. Tudhope, our Representative on the C.C.C., will represent Canada on the new Board.

XII *Financial Arrangements*

1. The financial arrangements between the Commonwealth Countries which are members of the Commonwealth Communications Council have been under consideration for some time and while, at the moment, final agreement has not been reached, each Partner Government has agreed that any scheme should be based on the fundamental principle that expenses recognized as part of the "common-user" system defined below and which are involved in performing a telecommunication service for other National Bodies should be borne by all National Bodies in an equitable manner.

2. To this end there has been general agreement on certain principles under a scheme known as the "way leave" scheme, as follows:

(a) Each National Body would retain its gross receipts on originating traffic less terminal charges and out-payment charges to carrier companies other than a National Body.

(b) The "common-user" costs of all National Bodies would be pooled. These costs in turn would be distributed among the National Bodies in the proportion of net receipts. For example, if Canada's net receipts amount to \$1,000,000 and the net receipts of the United Kingdom amount to \$20,000,000, then the Canadian National Body would pay toward the overall common-user expenses \$1.00 for each \$20.00 paid by the United Kingdom National Body. In addition, it has been agreed to recognize the "work-done" principle and that a factor representing the effect of the number of words handled in each direction by each National Body should be introduced. The balancing of these two factors has yet to be settled.

(c) Each National Body would contribute to the expenses of the Commonwealth Telecommunications Board on the same basis as applies to the "common-user" costs.

(d) The expenses of the "common-user" system are defined to include such things as maintenance, repair, renewal, and rental of cables, landlines and cable ships, the cost of handling transit traffic, the appropriate costs of radio stations utilized for external services and the lines connected thereto to the first traffic distribution points as well as of the lines from cable heads to the first traffic distribution points. Provision is also made for inclusion of certain administrative expenses and interest on appropriate capital.

GENERAL OBSERVATIONS

XIII *Communications between Canada and Newfoundland*

1. When the Bill was drafted, Newfoundland was not a Province of Canada, so at that time the radiotelephone circuit between Montreal (Drummondville/-Yamachiche) and St. John's, Nfld. was an external communication circuit.

2. Newfoundland, of course, is now a Province of Canada but the Bill has not been amended because the equipment used for the western end of this circuit is integrated with that used in the external radiocommunication circuits at Drummondville and Yamachiche covered by this Bill. It may also become expedient to acquire the eastern end of this circuit but in any case we think it desirable to have authority to take over this equipment and to operate between Montreal, P.Q. and St. John's, Nfld., if so desired.

3. This is the only reason for including in section 6(b) of the Bill the words "between Newfoundland and any other part of Canada" and there is no desire or intention of opening up any other circuits or of extending the one in question.

XIV Operating Arrangements with the U.S.A.

The Commonwealth has an agreement with the United States known as the Bermuda Agreement (1945), covering telecommunication operations between the United States, United States Possessions and Commonwealth Countries. The agreement limits the number of direct radio telegraph circuits between the United States and any Commonwealth Country and defines the class of traffic which shall be handled over such circuits. It also provides for ceiling rates, the division of tolls between the operating companies concerned and for the settlement of accounts. It has been agreed that the United States may approach direct any country of the Commonwealth with respect to any telecommunication matter. It is understood, however, that when matters are such that any decisions agreed might affect the Commonwealth telecommunications system as a whole, the Commonwealth Country concerned will consult all other Commonwealth Governments through the Commonwealth Telecommunications Board before committing itself to the United States Government. The United States companies have direct circuits with the United Kingdom, Canada, Australia, New Zealand, India, Pakistan and South Africa. The Commonwealth end of each circuit is, of course, operated by the telecommunication company or National Body of the Commonwealth Country concerned.

The CHAIRMAN: Thank you very much, Mr. Connelly, that is a very comprehensive report. Now, gentlemen, it is open to the committee to question Mr. Connelly or the minister. Are there any questions that have occurred to the members of the committee as Mr. Connelly has proceeded?

Mr. McIVOR: India is not included?

The WITNESS: Yes.

Hon. Mr. CHEVRIER: They signed the agreement.

Mr. McIVOR: Thank you, sir.

Mr. HATFIELD: Is this station called Drummondville the one outside of Three Rivers?

The WITNESS: It is just outside of Drummondville.

Mr. HATFIELD: What is the station which is outside of Three Rivers called?

The WITNESS: That is Yamachiche; that is a receiving station.

Hon. Mr. CHEVRIER: Yes.

Mr. HATFIELD: What about municipal taxation?

The WITNESS: The bill gives authority to the corporation to pay municipal taxes.

The CHAIRMAN: Reference was made to production offices. I suppose that is offices where cables are received, but I wondered if you would explain to us what is meant by the term production office?

The WITNESS: Production office here means office canvassing for business.

By Mr. Hatfield:

Q. How about Canadian National Telegraph offices, do they solicit business for this company?—A. Mr. Chairman, the Canadian National Telegraphs is the agent of the Western Union Telegraph Company, it is not the agent of the commonwealth telecommunications services.

Q. The Western Union Telegraph Company services—that company owns cables too, does it not?—A. The Western Union is an American company—

Q. Yes.—A. —and at the present time any message filed for overseas with Canadian National Telegraphs will not go by a commonwealth circuit, it will go by an American circuit.

Q. What about the C.P.?—A. Canadian Pacific Telegraphs, Mr. Chairman, are the agents for the Imperial Cable and for the Canadian Marconi Company.

Q. So cables originating in their offices will go by this board which is being set up, but not from Canadian National?—A. Mr. Chairman, I might mention here that there are what they call routed and unrouted messages. Each company has a form. The Canadian Marconi Company has a form; Imperial Cable has a form; Commercial Cable has a form, and also Western Union, and Anglo-American. They all have their own forms. You go into a Canadian Pacific office and ask for a Canadian Marconi form and write out your message on that form, then your message will be routed over the Canadian Marconi wireless circuit. If you ask for an Imperial Cable form, your message will be routed through that company, and similarly with each of the other companies concerned. The Canadian Pacific Telegraphs is also the agent for the Commercial Cable Company and if your message is written out on a Commercial Cable form it will go by that company. However, if you just write your message on a form of one of the Canadian Telegraph Companies the same as is used for a domestic message, with nothing indicating the route by which you wish to have it sent, it is called an unrouted message and it may be transferred to any connecting overseas carrier at the discretion of the telegraph company with which it is filed. The Canadian Pacific Company, for example, will allocate such unrouted messages to the three companies for which they act in proportion to the volume of business received from each of these companies. For instance, if the C.P.T. receive messages from the Canadian Marconi Company, the Imperial Cable and the Commercial Cable in equal proportion and three unrouted messages are filed, they will send one of them by Commercial, one by Imperial and one by Canadian Marconi.

Q. What messages would this company handle?—A. This company would handle messages going by Canadian Marconi, Imperial Cable or Commercial Cable.

Q. In other words, when I go into a C.P.R. office and ask for a cable form it goes through a board company but if I go into a Canadian National Telegraph office and ask for a cable form it goes over Western Union. The C.P.R. are soliciting messages for this company but our own company, our own government-owned company, is not. Is that right?—A. Yes, except that messages filed with the Canadian Pacific may also be routed via the Commercial Cable which is also an American company.

Q. I don't see why that should be.—A. Well, Mr. Chairman, the reason for that is that Canadian National Telegraphs have a long-term agreement with Western Union as the agent of that particular company and the terms of that agreement do not permit them to be the agent for any other communications company at the present time, and that is the reason why they are not the agents for the commonwealth company. They were the agent for the Canadian Marconi Company, up until 1939 when they were unable to renew this agreement—I think it had run for 10 years or something of that order. They had permission from the Western Union prior to 1939 to act as agents for the Canadian Marconi Company but when the matter of renewing their agreement with the Marconi Company came up Western Union said they were not prepared to permit them to do so unless they paid them something like \$100,000 per annum for losses of revenue which that company would sustain as a result of their carrying on as agents for this company.

Mr. McIVOR: Does that not place the C.N. Telegraph Company at a disadvantage?

Commander EDWARDS: They made their agreement.

Mr. HATFIELD: But that does place them at a disadvantage.

Commander EDWARDS: I think we should say for the information of the committee that the C.P.R. have always been the agents for Imperial Cable and they have always had a contract with Imperial Cable to handle all that traffic and they have always been the company which leased the line which carries transit traffic between cable points at Halifax, N.S., and Bamfield, B.C. Canadian

Marconi Company originally had a contract with the C.N.R. to handle all of that stuff in Canada but that agreement ceased in 1939 when the contract expired and they did not see fit to renew it. Then the C.P.R. entered into a contract with Marconi to handle their traffic just the same as they handled the Imperial contract, and that is how the matter stands. But I have no doubt that if you went into a Canadian National Telegraph office and said you wanted your message routed through Marconi they would send it that way.

Hon. Mr. CHEVRIER: I think, Mr. Chairman, the point at issue here is simply this: that having regard to the taking over of these services, we must take them as they are, we cannot undo an agreement which the Canadian National Telegraph have with Western Union; nor can we undo an agreement which Canadian Pacific have with Canadian Marconi. We must take that as it is.

Mr. HATFIELD: As far as Canadian National and Marconi enter into it, the cables are owned by Imperial or Western Union; is that right?

The WITNESS: That is right.

Mr. HATFIELD: Imperial have theirs, Western Union have theirs and other companies have theirs; is that right?

The WITNESS: I cannot answer that, sir.

Mr. CARTER: Am I right in my understanding that this crown company operates the radio telephone circuit between Montreal and St. John's?

Hon. Mr. CHEVRIER: The memorandum just read indicates that it has not been decided to take that over, operation to remain as it is; but the corporation, once it is established, will have to decide whether it will take over that circuit or whether it will continue under Canadian Marconi as it is now.

Mr. CARTER: As a matter of general policy would that crown company operate the radio telephone system inside Canada?

Hon. Mr. CHEVRIER: No, this is only for external communications.

Mr. CARTER: Yes, that is what I thought.

Mr. CARROLL: Would you make it part of the crown company; would the whole of the Marconi Company in Canada be taken over?

Hon. Mr. CHEVRIER: I think the question of the circuit to Newfoundland will depend a great deal on the survey which will be made by the corporation. I think what raised the doubt in the memorandum and in the minds of the officers concerned is the fact that they did not have an opportunity of going to Newfoundland to assess the equipment and so on. I think if they come to the conclusion that it is in the general interest action will be taken.

The CHAIRMAN: I think that comes up under clause 6(b). We can discuss that when we come to subsection (b) of clause 6.

Mr. HATFIELD: The reason for setting up this crown company is because the contract with the Canadian National Telegraphs was with the Western Union?

Hon. Mr. CHEVRIER: No. The reason for doing this is because of an intercommonwealth commitment.

Mr. HATFIELD: Why should not this business be handled by Canadian National Telegraphs?

Hon. Mr. CHEVRIER: Because they have an agreement with a competitor, Western Union.

Mr. HATFIELD: That is what I asked you.

Mr. ROONEY: There are two things I would like to ask.

Mr. LENNARD: Mr. Chairman, I wonder if the members of the committee would stand so we could hear them better.

The CHAIRMAN: Oh yes. I will ask members to stand when they speak, please.

Mr. ROONEY: There are two questions I would like to ask while I have them fresh in mind. The first is this. I believe that as Newfoundland is part of Canada there should be no exceptions made, and that that should be made clear as soon as possible, because the people of Newfoundland might think that we were making some exceptions. The other point I want to bring up is this: we are setting up this intercommonwealth communications board, how would control be established? Will it be by the number of representatives who will sit on the board—that would give the United Kingdom people a majority, would it not? Would the United States have control, or would England have it?

The CHAIRMAN: The United States is not a party to this. It is a commonwealth agreement.

Mr. ROONEY: Who would have control? Has England more representatives on there than we have?

The WITNESS: There is one representative from each partner government, that is one from the United Kingdom, one from Canada, one from Australia, one from India, etc. The United Kingdom also has one covering the colonies.

Mr. ROONEY: Who would have, for instance, if a point came up and it was a tie, who would have the deciding vote?

The WITNESS: The Chairman, who was appointed by all parties.

Mr. HERRIDGE: As the majority of Canadians would like to see their cables sent over this Canadian system, could the Canadian National Telegraph make any arrangements so that any customer coming into the Canadian National cable office to send a message, would he be given the choice of directing the message over Western Union, or over our own system?

Hon. Mr. CHEVRIER: I think if a customer goes into the Canadian National telegraph office, and says he wants his message routed this way, it will be.

Mr. HATFIELD: When does the C.N. contract expire with the Western Union?

The WITNESS: Mr. Chairman, I am not sure when it expires but I think it is somewhere around 1964. That is just a year that comes to my mind.

Mr. HATFIELD: That is a long-term contract.

The WITNESS: It is a long-term contract but whether that is the exact year of termination, I am not able to say precisely. I tried to get that information but I did not manage to get it.

Mr. ROONEY: One other point that I had in my mind when I got up before: it says here that the commonwealth has an agreement with the United States known as the Bermuda Agreement of 1945 covering—I will not read it, but the agreement limits the number of direct radio or telegraph circuits within the United States and any commonwealth country and defines the class of traffic which shall be handled over such circuits. Now, is it possible that the United States can dictate to us under this agreement the number of circuits that we could use between any of the commonwealth countries or the United States?

The WITNESS: Mr. Chairman, I think it is just the reverse. The limitation placed on these circuits is put there by the commonwealth countries. In other words, if they have a circuit between the United States and Australia, they can only send terminal traffic over that circuit. They cannot accept a message from Australia addressed to any part of Europe or the United Kingdom.

Mr. LENNARD: Has the United States any influence or control over the rates?

The WITNESS: Mr. Chairman, the only control that the United States or any company has over rates is over its own rates. Unfortunately however, they do affect telecommunication companies. If the United States has a circuit, for

example, from the United States to South Africa, then if they reduce their rates to South Africa, it is practically necessary for us to reduce our rates to South Africa in order to meet the competition, but that is the only sense in which the United States will have any control over the rates.

Hon. Mr. CHEVRIER: Who fixes the rates on our own commonwealth circuits?

The WITNESS: They will be fixed by the telecommunications board but it will only be on recommendation to the governments of the respective countries, and all countries must agree to the rate change.

Mr. LENNARD: I notice here an American press despatch, dated Washington, November 4th:—

The Federal Communications Commission today announced details of an international agreement to drop the full rate for overseas telegrams and cables by 25 per cent.

I wonder if that would enter into this picture?

The WITNESS: Mr. Chairman, that relates to the international conference that we had in Paris this past summer. That in itself is quite a big question. At the International Telegraph and Telephone Conference held at Paris last summer we made a great many changes regarding international traffic regulations, and one of the changes is that we are going to do away with what we call deferred messages. We are going to do away with what we call CDE, that is, code messages, as such. Under the old regulations and the regulations which will prevail to the end of June, 1950, if you want to send a code message, you can send it for sixty per cent of the rate applicable to a plain language message between the same places, and that will be done away with, so you will pay the same rate as the ordinary plain language message. Now you can send a deferred message, which is one that is sent after all the fully paid messages have been sent. But the service has developed to be so efficient that there is really very little delay in a deferred message. Consequently, we felt that it was unfair to be giving a man a fifty per cent preference in charges on a message which was really getting the same treatment as an ordinary message, so we are going to do away with deferred messages. Now the result of that is that we will reduce the international rates which are in gold centimes. They are to be reduced by twenty-five per cent on the 1st of July, 1950. The rates to be reduced are the rates that will be in effect on the 1st of February, 1950. We have to notify our rates to the international bureau at Geneva before the 1st of February so that they can determine the rates to be charged in July, 1950. It has no real bearing on this particular question. In other words eighty per cent of the commonwealth traffic is between the commonwealth or between the commonwealth and the United States. The arrangements do not come under the regulations made at the international conference but under Article 40 of the International Telecommunication convention, Atlantic City, 1947. The International Regulations Paris 1949, therefore, will only apply to a very small proportion of the over all traffic.

Mr. ROONEY: The Chairman has a deciding vote, you say. How long does he sit? Is he empowered for one year, two years, or for what period?

The WITNESS: I think he sits, Mr. Chairman, until he is removed, but he can be removed.

Mr. ROONEY: He can be removed?

The WITNESS: Yes.

Mr. CARROLL: Just one more question. If the Marconi station is not taken over by this crown company will the Marconi at Newfoundland be permitted to send messages to the other commonwealth nations?

The WITNESS: No. That circuit is just between Montreal and St. John's, Newfoundland. It is not an overseas circuit. They would have to get a licence from the Department of Transport before they can extend the service.

The CHAIRMAN: As a good many of these questions will come up under the various clauses, perhaps you are now ready to consider the bill, clause by clause. Shall clause 2 carry?

Carried.

Mr. CANNON: It has been stated in this memorandum that the cable heads are not to be acquired by the corporation, but they are to remain the property and under the administration of the different companies. Why is that?

Hon. Mr. CHEVRIER: Because the cable heads were specifically excluded from the agreement signed in London.

Mr. CANNON: Why? It says so here, I know, but why?

Hon. Mr. CHEVRIER: It is really not part of the cable and that is why it was excluded. It is a technical question, however, that I cannot answer myself.

Mr. CANNON: The cable is not taken over?

Hon. Mr. CHEVRIER: The cable head is not taken over.

Commander EDWARDS: When a cable leaves the water, you have to land it somewhere, so they have a little hut and the cable comes into this hut. Now we go in with our land lines, go through the wall and make our connections to the cable inside that hut.

Mr. HATFIELD: What is the good of the cable without the cable head?

Commander EDWARDS: You have to connect it somewhere. They wanted to keep this building and we had no objection.

The CHAIRMAN: Shall clause 2 carry?

Carried.

Shall clause 3 carry?

Carried.

Mr. CANNON: I have not had time to read clause 3. Could I suggest that the clauses be read?

The CHAIRMAN: No, that is not the custom in committees. We will proceed along the usual lines. Shall clause 4 carry?

Carried.

Mr. McLURE: Are there only two salaried men?

Hon. Mr. CHEVRIER: Only one salaried director. There will be far more than two salaried men.

Mr. MURRAY: What is the salary of each?

Hon. Mr. CHEVRIER: It has not been determined yet.

The CHAIRMAN: Shall clause 5 carry?

Carried.

Shall clause 6 carry?

Mr. GREEN: I notice this clause sets out in (b) "to carry on the business of public communications by cable, radio-telegraph, radio-telephone, or any other means of telecommunication between Canada and any other place and between Newfoundland and any other part of Canada".

Why is the power taken to deal with those communications to deal with communications between Newfoundland and Canada?

Hon. Mr. CHEVRIER: Mr. Connelly has already dealt with that in his memorandum.

The CHAIRMAN: I think Mr. Connelly can briefly cover the point that Mr. Green raised there without too much detail.

The WITNESS: I wonder, Mr. Chairman,—it is only a short paragraph, may I read it? It is found on page 10 of my brief.

1. When the Bill was drafted, Newfoundland was not a Province of Canada, so at that time the radiotelephone circuit between Montreal (Drummondville/Yamachiche) and St. John's, Nfld. was an external communication circuit.

2. Newfoundland, of course, is now a Province of Canada but the Bill has not been amended because the equipment used for the western end of this circuit is integrated with that used in the external radio-communication circuits at Drummondville and Yamachiche covered by this Bill. It may also become expedient to acquire the eastern end of this circuit but in any case we think it desirable to have authority to take over this equipment and to operate between Montreal, P.Q. and St. John's Nfld., is so desired.

3. This is the only reason for including in section 6 (b) of the Bill the words 'between Newfoundland and any other part of Canada' and there is no desire or intention of opening up any other circuits or of extending the one in question.

Mr. NOSEWORTHY: Paragraph (c) deals with the use and developments in cable and radio transmission and we have learned that the Canadian National telegraph do not come into the picture. Does the C.B.C. come into the picture?

Hon. Mr. CHEVRIER: No.

Mr. HATFIELD: I understand that code messages will not have any discount after the 1st of July, 1950. Do they now have fifty per cent discount?

The WITNESS: Forty per cent.

Mr. HATFIELD: I understand they only have a saving in words. They will pay the regular rate after July, 1950?

The WITNESS: They will pay the regular rate after the 1st of July 1950.

Mr. HATFIELD: But they can send in code?

The WITNESS: Oh, yes.

Mr. CANNON: From the Madeleine Islands we have a radio telephone to the mainland which is operated by the Canadian Marconi Company. Am I correct in saying all this legislation is only for communications between Canada and outside countries, and as far as the Madeleine Islands are concerned they will not be affected?

The WITNESS: That is right.

Mr. HATFIELD: What about cables to South America?

The WITNESS: There is really no question about cables to South America. Cable and Wireless have circuits to South America and they will be included in common user costs. The cost of the maintenance and operation of the entire common user system will be borne by all commonwealths based on the proportion of revenue on originating traffic; if the revenue on our originating traffic is \$1,000,000, and the United Kingdom's is \$20,000,000, and South Africa \$5,000,000, the costs will be proportioned in that percentage, 1, 20, 5.

Hon. Mr. CHEVRIER: If we want to send a message to South America how is it circuited?

The WITNESS: It will be routed through London.

Mr. HATFIELD: Will there be any increase of rates between now and the first of January when you have to notify the commonwealth Board?

The WITNESS: In so far as the collection rates in Canada are concerned there will be no change at all.

Mr. HATFIELD: After that you will have a twenty-five per cent reduction?

The WITNESS: I wouldn't say that so far as Canada is concerned that the reduction will be twenty-five per cent of the existing collection rate. You must remember this is an international matter. The collection rate in Canada is much lower than the collection rate in foreign countries on traffic in the reverse direction. On a message from here destined to France we pay twenty-two cents per word, and the man who replies in Paris pays thirty-seven cents per word.

Mr. MURRAY: Will the rates on Pacific business remain the same?

The WITNESS: There, again, Mr. Chairman, we have been trying to equalize these rates and as far as the commonwealth is concerned there is very little difference. You pay eighteen cents a word if you file a message in Ottawa going to London, England, and if you file it in Vancouver you pay twenty cents.

Mr. MURRAY: I am thinking of a message originating in Singapore destined for Vancouver.

The WITNESS: That will be thirty cents a word to Vancouver or to Ottawa, there is a maximum.

Mr. MURRAY: But if it goes around via London?

The WITNESS: It does not matter what Commonwealth circuit it goes over, it will still be thirty cents.

The CHAIRMAN: Shall clause 6 carry?

Carried.

Shall Clause 7 carry?

Carried.

Shall clause 8 carry?

Hon. Mr. CHEVRIER: It is a United Kingdom responsibility. The bill provides for the taking over of the external communication facilities in our own country, exclusive of the cablehead. Cable and Wireless will maintain and operate the cable on the Pacific.

Mr. CARROLL: Does the Crown company have any control over the rates on messages leaving Canada?

The WITNESS: Yes, we still have control over the rates; every country has control over its rates. The Telecommunications Board has that function. It will recommend rates which it considers to be in the best interests of the Commonwealth. It has been my experience that they have never yet asked any country in the Commonwealth to do anything that it did not want to do but I would say that our rates are certainly in our own hands. They have to consider whether any rates prescribed would be detrimental to the system at large.

Mr. HATFIELD: Will the Canadian Marconi Company maintain the same rates as the Board maintains overseas? A person in Newfoundland wishes to send a message—must it go via Montreal and pay a higher rate?

The WITNESS: If you want to send a message between here and Newfoundland it will go direct on land line circuits. It will be considered as a domestic message.

Mr. HATFIELD: I am talking about sending a message from Newfoundland overseas?

The WITNESS: There will be no change.

Mr. HATFIELD: The Marconi rates will be the same as your rates?

The CHAIRMAN: Does clause 8 carry?

Carried.

Shall clause 9 carry?

Mr. GIBSON: With respect to clause 9 I wonder if we could have an assurance from the government that the superannuation changes will be optional. I understand there are three or four plans in effect as far as Cable and Wireless are concerned. I understand also that there are certain repatriation obligations and I wonder if those obligations will be taken over by this board.

Mr. CHEVRIER: My understanding is that there are several pension funds in existence. It is the intention of the Crown Corporation to co-ordinate them so that no disadvantage will be suffered by the employees and, on the contrary, the employees should be in a better position. I am not able to say that they will be in a better position but you can rest assured that the pension fund will be co-ordinated so that there will be no disadvantage to the employees.

Mr. GIBSON: You can safely say that their pensions and salaries will be no worse.

Hon. Mr. CHEVRIER: They will be no worse.

Mr. HATFIELD: The staff will not be under the Civil Service Commission?

Hon. Mr. CHEVRIER: No.

The CHAIRMAN: Shall clause 9 carry?

Carried.

Clause 10.

Mr. CARTER: The Minister said that the effect of this bill would be to put the Canadian Marconi Company out of business in so far as telecommunications are concerned.

Mr. CHEVRIER: That is right.

Mr. CARTER: If any of you can visualize my riding on the map you will see that it is quite extensive. Prior to Confederation the commission government made arrangements with the Canadian Marconi Company whereby a number of units were installed at various points along that riding to link up with and improve the existing communications. It is a very isolated district and we cannot build land lines. It would be much more satisfactory to have telephonic communication but I am wondering now whether, as we had hoped before, these stations might be hooked up? The stations have been tested and found satisfactory. When Confederation came about someone had the bright idea that it would be a federal department matter and as far as I know the stations have not been hooked up. If this bill puts the Canadian Marconi Company out of business I wonder if some other arrangement will be made to have some branch of the Department of Transport take care of that situation?

Hon. Mr. CHEVRIER: When I stated that the company would go out of business I was dealing exclusively with external telecommunications. This bill does not envisage domestic service or service within Canada or within a province of Canada. I am not familiar with the service Marconi operates in Newfoundland but I understand there is a representative of the company here and perhaps he would be good enough to enlighten us on the question that has been asked.

The CHAIRMAN: Does that meet with the wishes of the committee?

Agreed.

Mr. S. M. FINLAYSON: I am the general manager of the Canadian Marconi Company and I have with me Mr. Fergus, our secretary and treasurer, and Mr. Bowie, our traffic manager. I think the question relates to the general telecommunication stations which are operated on the coasts of Newfoundland and Labrador. Those stations, like similar stations in Canada were operated by us, in the old days on behalf of the Commission Government. As far as I am aware it is a matter quite apart from the bill. We will continue to maintain and operate those services at full efficiency, at the pleasure of the government.

Mr. CARTER: That is the point I was wondering about. I wanted to know if the company would continue to operate that service or whether their operations would be curtailed by this bill.

Mr. SHAW: Section 10 of the bill refers to the acquisition of property. The Minister indicated, and it was confirmed in the brief, that \$4,000,000 has been set by the government as a proper value of the property. I understand the matter will become the subject of a reference to the Exchequer Court but have we any reason to believe that the Canadian Marconi Company will accept the \$4,000,000 figure?

The WITNESS: Well, Mr. Chairman, I do not think we can answer that question either yes or no. The negotiations have not even been started so I have no knowledge as to whether it will be accepted. We hope that we can acquire the assets for that amount or less.

Mr. SHAW: It is safe for us to assume that the government will start with that figure? They will use that as a jumping off point?

Hon. Mr. CHEVRIER: The government will start with a much smaller figure I hope.

Mr. HATFIELD: That would be no good now.

Mr. SHAW: How was that figure arrived at?

Hon. Mr. CHEVRIER: That is a \$64 question. If the committee insists I will give what information I have but I would prefer not to because there are people in this committee room with whom we will have to deal. I do not think that we should put our cards on the table before we know what is in the minds of the other side.

The CHAIRMAN: I think we can pass on.

Mr. CANNON: I am reading from the bill, clause 10—"For the purpose of this Act and with the approval of the Governor in Council, the Corporation may, by notice published in the *Canada Gazette*, take or acquire any real or personal property of Canadian Marconi Company or of Cable and Wireless Limited and—"

I would like to get clear in my own mind whether we are acquiring all the property of the Canadian Marconi Company or only that part of it which deals with overseas communications?

Hon. Mr. CHEVRIER: The question is answered right in the bill.

Mr. CANNON: Oh, I see; so the Canadian Marconi Company will continue to exist.

Mr. SHAW: I might suggest to the government that it is better business to start at a lower figure, especially when it is admitted that this is a higher figure than they anticipate paying.

Hon. Mr. CHEVRIER: We are not admitting that we will pay that much but we had to put some figure in the bill otherwise we cannot get it through parliament.

The CHAIRMAN: Shall clause 10 carry?

Carried.

Clause 11.

Carried.

Clause 12.

Carried.

Clause 13.

Carried.

Clause 14.

Carried.

Clause 15.

Mr. GREEN: This clause deals with loans to the Corporation. Can you give us any idea of what amount will be required by way of loans?

Hon. Mr. CHEVRIER: I have already stated that \$500,000 will be required for working capital and that is contained in the figure mentioned in the brief prepared by Mr. Connelly and circulated by him. The aggregate maximum loan which can be made is \$100,000 and it will be made in the same manner as loans are made by Finance to certain Crown companies. The Crown company gives a certificate of indebtedness and repays the loan if it can; but it is a loan for a capital expenditure or replacement.

The CHAIRMAN: Shall clause 15 carry?

Carried.

Clause 16.

Carried.

Clause 17.

Carried.

Clause 18.

Carried.

Clause 19.

Mr. FOLLWELL: Is this expected to be a losing proposition for the government of Canada.

Hon. Mr. CHEVRIER: That is a difficult question to answer. The statement has already been made that this part of Canadian Marconi's business, which we are taking over, made a profit of \$100,000 in 1948. I am hopeful that the same efficient management, if not better, will be continued by the Crown company.

The CHAIRMAN: Shall clause 19 carry?

Carried.

Clause 20.

Mr. GIBSON: I see that the wording is permissive. The Corporation "may pay taxes". In Bamfield in my riding, half of the revenue comes from taxes paid by Cable and Wireless and I am wondering if I can have an undertaking from the Minister in that regard?

Hon. Mr. CHEVRIER: I wish I could give my friend an undertaking but all I can say is that the Minister of Finance has already indicated in a statement made by him that it is the intention of the government to revise the whole matter of its taxation policy. I cannot anticipate what the statement of the Minister will be but, as members of parliament know, the Crown is not taxable; the Crown is exempt from taxation for municipal purposes. It has, however, been felt by many municipalities, and even by members of the government, that to continue that policy forever would be unfair. What is being considered at the moment is the matter of payment in lieu of taxation, just as the Canadian National Railway in Halifax, Saint John, Moncton, certain parts of Ontario and other parts of Canada, has made payments, not for the property which they own *quâ* Canadian National Railway but for property which they operate *quâ* government. I refer there to the Transcontinental and to the Intercolonial which are owned by the Crown and which are tax exempt but the Canadian National Railway pays to those municipalities, by virtue of long term agreements, certain amounts in lieu of taxation. It is impossible to answer my honourable friend's question definitely because I would be anticipating a statement of my colleague. The word "may" was not placed in that clause 20 in order to amend the bill after any statement to be made by the Minister of Finance but in order to carry out the policy which he may bring down.

Mr. GIBSON: Does not the Polymer Crown Corporation pay school taxes on their property in Sarnia?

Hon. Mr. CHEVRIER: I understand it does.

Mr. MURPHY: With respect to Polymer I understand they have been making a yearly grant. It is not paid in the way of taxation but it is an amount of \$5,000 a year.

While I am on my feet I would ask this: I just did not get the full explanation of the Minister respecting the word "may". Does that mean there is to be a literal interpretation of the word here?

Hon. Mr. CHEVRIER: I understand that "may" means "shall" in legal interpretation, but in this particular instance it does not mean "shall"; it means "may".

Mr. MURRAY: Regarding this matter of taxation it may be interesting to the committee to know that on the property at Bamfield, the British Columbia government levied taxation at less than \$100 a year for many years, although millions of dollars were involved in the cable operations. It was taxed as wild land and for a number of years the rate was something about \$50.

Mr. GIBSON: It is very obvious that in a place like that where a company or the government brings in a lot of employees, that we cannot expect the local residents—the fishermen and so on—to pay for the education of children of company or government servants. I am quite sure, however, that this Minister of Transport is a more generous type.

Mr. CARROLL: May I follow up the suggestion of the Minister and say that I think "may" here does mean "shall" and it is simply saying where the taxes shall be paid, to whom, and to what authority.

Mr. GIBSON: I concur.

Hon. Mr. CHEVRIER: I would not disagree with a learned former justice of the court.

Mr. MURPHY: In connection with this same paragraph relative to taxes paid by Crown Companies, I think the Minister said a while ago the C.N.R. paid taxes in certain areas like Halifax. Does that include taxes for school purposes?

The reason I asked that is—and I may be wrong—that I understand on rights of way there is some stated amount paid but the school taxes are not affected.

Hon. Mr. CHEVRIER: That is a very difficult question which you ask. I will try to answer it to the best of my ability. I do not think any of these payments are earmarked for any particular local object such as schools, sewers or anything else. I think payment is made to the municipality by virtue of an agreement over a period of three or four or five years. That is the procedure with the Canadian National Railways; but to say that they are earmarked for any one purpose I think would be a mistake. They are paid in to the municipality and the municipality uses them, I understand, and divides them up according to the mill rate for schools, local improvements and so forth.

The CHAIRMAN: Shall clause 20 carry?

Carried.

Mr. MURPHY: What I was going to suggest is that the government accept the assessment of the local assessment board the same as is the case with other interests in the locality. Could the minister tell me whether that will be done?

Hon. Mr. CHEVRIER: I am not able to answer that, but I am able to say that I do not think that it would be fair for the Canadian National Railways, for instance, to accept the assessment of the local assessor; nor do I think it would be fair for the intercolonial or the transcontinental railways to accept the assessment of local assessors because there are a number of services rendered by

the railways to the municipalities. I am thinking now of municipality X in a certain province; the Canadian National Railways pay a substantial amount for sewers and it pays a substantial amount for water, and if they were required over and above that to meet the assessments of the local assessor I think they would be being asked to pay far too much. They should pay an amount which is reasonable, but how to arrive at that amount I do not know; and I would not like to say how it is going to be proceeded with here. I think a good deal will depend on an announcement which will be made by the Minister of Finance.

Mr. HATFIELD: But you are taking over a company here which is already paying municipal taxes. It is a different matter altogether.

Mr. ROONEY: Yes.

Mr. HATFIELD: The Canadian National is a different matter.

Hon. Mr. CHEVRIER: And when I was dealing with this question in the House, **Mr. Murphy**, I said that it was the intention that this company would pay taxes. I do not know how the corporation are going to proceed. Now, you say that Canadian Marconi were paying taxes. Yes. But now the crown owns certain portions of the company and it is no longer liable to taxation, so that we may proceed in the same manner that the Marconi Company did. I do not know. I can say this—

Mr. MURPHY: Someone made a statement here when we started this that they would.

Hon. Mr. CHEVRIER: —I can only say what I said in the House explaining what our intention is.

Mr. MURPHY: I mean when we started the sessions of this committee.

Hon. Mr. CHEVRIER: I did not say that.

Mr. GREEN: Would not that be the fairest way to deal with the taxation question where you have a Crown company taking over the assets of companies which have been paying taxes on their physical properties, just as other corporations have been paying taxes? It seems to me that the fairest way would be for the Crown company to carry on paying taxes which are levied on similar properties, because if you follow the other course and enter into agreements with each municipality then there is bound to be different treatment to different municipalities. I think it would be much simpler to pay the regular taxes that will be levied as if this company were a private company.

Hon. Mr. CHEVRIER: That would appear to be reasonable.

Mr. MURPHY: You have two different categories to deal with; take in the one case the buildings, the physical assets, located say in Halifax or other areas. I would think that where you have a building, let us say, the Crown company would have a precedent to go by. I make that statement because this system is taking over a private company; I may be wrong, but I understand they have to pay in that area the same taxes as other industries pay. That being the established practice I think it should be continued.

The **CHAIRMAN:** Shall clause 21 carry?

Carried.

Clause 22?

Carried.

Clause 23?

Carried.

Clause 24?

Carried.

Clause 25?

Carried.

Clause 26?

Carried.

Shall the title carry?

Carried.

Shall I report the bill?

Carried.

Mr. McIVOR: Mr. Chairman, I would like to express the appreciation of the committee for the efficient and direct answers which officials of the department have given to us this morning.

Some Hon. MEMBER: Hear, hear.

The CHAIRMAN: There is no further business before the committee so a motion to adjourn is in order.

The committee adjourned to meet again at the call of the Chair.



