



APPENDIX

TO THE

SIXTY-SECOND VOLUME

OF THE

JOURNALS OF THE HOUSE OF COMMONS

DOMINION OF CANADA

FEBRUARY-JUNE SESSION, 1925

PRINTED BY ORDER OF PARLIAMENT



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1925



LIST OF APPENDICES—FEBRUARY-JUNE SESSION, 1925

- No. 1.—Special Committee appointed to consider and report upon Bill No. 2, An Act to amend and make operative certain provisions of the Copyright Act, 1921,—Reporting Bill No. 2 as amended by the Committee; also, submitting for the information of the House a copy of the minutes of proceedings and the evidence taken before the Committee; and also, recommending that its proceedings together with the evidence taken be indexed and printed as an appendix to the Journals of the present session of Parliament, and also, for distribution in blue book form. *Not printed. See Journals at pages 372, 377.*
- No. 2.—Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government,—Recommending in its Third and Final Report that its minutes of proceedings together with the evidence taken before the Committee, be printed as an appendix to the Journals of the House. *Printed. See Journals at pages 425, 427.*
- No. 3.—Special Committee appointed to consider the Resolution proposing to give the Government of Canada control over certain Ocean Rates,—Recommending in its Sixth and Final Report that the order of reference, reports, proceedings, and the evidence taken before the Committee, be printed as an appendix to the Journals of the House of the present session; also, submitting for the information of the House a copy of its proceedings together with the evidence taken and also certain documents. *Not printed. See Journals at pages 432-436.*
- No. 4.—Debates of the House of Commons, Report of the Editors of the,—Recommending that the required steps be taken by the proper officers to inform the general public that the unrevised edition of the Debates of the House is available to subscribers; and also, submitting with the said report, copies of the printed forms used in this work. *For Report, see Journals at page 463. Forms not printed in Appendices.*

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

OWNED, OPERATED AND CONTROLLED
BY THE GOVERNMENT

SESSION 1925

MINUTES OF PROCEEDINGS
AND EVIDENCE

PRINTED BY ORDER OF PARLIAMENT



OTTAWA
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1925

MEMBERS OF THE COMMITTEE

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MEMBERS OF THE COMMITTEE

EULER, Mr. W. D., *Chairman*

Messrs:

CANNON, L.
DRAYTON, Sir HENRY
DRUMMOND, J. D. F.
GRAHAM, Hon. G. P.
HARRIS, J. H.
JELLIFF, L. H.
JONES, G. B.

Messrs:

KYTE, G. W.
MACKINNON, D. A.
MILNE, R.
RINFRET, F.
ROBICHAUD, J. G.
STEWART, C. W. (*Humboldt*)
STORK, A.

JOHN T. DUN,
Clerk of the Committee

ORDER OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, February 20, 1925.

Resolved, That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committees of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the estimates of the Canadian National Railways and the Canadian Merchant Marine for the present session for consideration and for report to the House, provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply, and that the said Committee consist of Messrs. Cannon, Drummond, Drayton, Euler, Graham, Harris, Jelliff, Jones, Kyte, Mackinnon, Milne, Rinfret, Robichaud, Stewart (Humboldt), and Stork.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

THURSDAY, March 5, 1925.

Ordered, That the Order of the House referring the Supplementary Estimates, 1925-26, respecting Loans to Canadian National Railway Company and Canadian Government Merchant Marine, Limited, laid on the Table on Monday, February 16, to the Committee of Supply, be discharged, and that the said Estimates be referred to the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, April 22, 1925.

Ordered, That the minutes of proceedings and evidence of the said Committee be printed from day to day for the use of the members of the Committee and that Rule 74 be suspended in reference thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FIRST REPORT

APRIL 22, 1925.

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

Your Committee recommends that its minutes of proceedings and evidence be printed from day to day for the use of the members of the Committee and that Rule 74 be suspended in reference thereto.

All of which is respectfully submitted.

W. D. EULER,
Chairman.

SECOND REPORT

JUNE 10, 1925.

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

Your Committee has had under consideration Item No. 378 of the Estimates, which provides a

“Loan to the Canadian Government Merchant Marine, Limited, repayable on demand with interest at a rate to be fixed by the Governor in Council, upon such terms and conditions as the Governor in Council may determine, and to be applied in payment of:—

- “(a) Deficits in operation of the Company and of the vessels under the Company’s control during the year ending March 31, 1926.
“(b) Capital expenditure in connection with the vessels under the Company’s control. \$668,000.”

and has examined the operating and income statements of the Company for the year ending December 31, 1924. Your Committee notes that the net results have improved to the extent of \$423,412 during 1924 in comparison with 1923, notwithstanding the depression which existed in world trade conditions.

Your Committee is also impressed with the conviction expressed by the President of the Canadian National Railways that during the coming year the position of the Canadian Government Merchant Marine will be materially improved, and attention is drawn to the fact that the amount requested in the estimates for the fiscal year ending March 31, 1926, is \$668,000, of which \$600,000 is for deficits and \$68,000 for capital expenditures, whereas the amount included in the estimates for the fiscal year ending March 31, 1925, was \$900,000, all for deficits.

Your Committee is accordingly unanimously of the opinion that the amount asked for for the coming year, namely, \$668,000 should be passed by the House.

In the course of its investigations, several matters were discussed to which your Committee feels the attention of the House should be directed:—

ATLANTIC SERVICE

The Atlantic services consist of the following:

United Kingdom—

Fortnightly service to Cardiff and Swansea from Montreal (summer) and St. John (winter) maintained with four 8,100-ton type steamers.

Ten day service to London and Antwerp maintained with five 5,100-ton type steamers sailing from Montreal (summer) and St. John (winter).

In connection with the services to the United Kingdom, considerable evidence was adduced pertaining to the development of the trade in dressed meat and other farm and fishing products requiring refrigeration; and your Committee notes that the President of the Canadian National Railways is willing to consult with other shipping companies plying between Montreal and the United Kingdom in an endeavour to arrive at a rate to be charged for the carriage of these products.

West Indies—

Fortnightly freight service to St. Kitts, Antigua, Barbadoes, Trinidad and Demerara maintained with four 4,400-ton type steamers in summer from Montreal, and three steamers from Halifax in winter.

Three weekly passenger and freight service to Bermuda, Nassau, Kingston and Belize maintained with two 5,100-ton type steamers.

In last year's report your Committee drew attention to the fact that the latter service has been, since its inception, and is at the present time, maintained by the steamers *Canadian Fisher* and *Canadian Forester*, of 5,100 tons gross, and was instituted at the request of the Government under the terms of the agreement concluded at Ottawa in June, 1920, when the Government of Canada undertook to provide a fortnightly freight, mail and passenger service between Canada, the Bahamas, Jamaica and British Honduras, with the following stipulations—the agreement to remain in force for a period of ten years:—

“1. The steamers to be not less than 3,500 tons dead weight; to have an ocean-going speed of not less than 10 knots; to have accommodation for from 15 to 20 first-class passengers; and to be provided with 'tween decks.

“2. The steamers to sail from such Canadian ports as their conditions require and to proceed to Belize, British Honduras, calling at Nassau, Bahamas, and at such port or ports in Jamaica as may be necessary, and call on the return voyage at such port or ports in Jamaica as may be necessary, and at Nassau.”

From the evidence adduced, there is no doubt that the trade between Canada and the West Indies is worthy of close study, as the development of a greater volume of traffic appears possible. Canada is in a position to supply practically all the requirements of this West Indian trade, and they in turn are able to supply Canada with tropical products. There is a large volume of business being done by countries other than Canada, which it is felt can be largely secured for Canada if up-to-date steamship facilities are provided.

Attention is drawn to the fact that in its last report your Committee expressed the opinion that business between Canada and the West Indies could be greatly increased with resulting profit if modern vessels with cool air and cold storage facilities could be provided for the carrying of bananas and other fruit which could be marketed in Canada through direct importation via Canadian ports rather than through United States ports as at present, but this business naturally cannot be secured without steamers of greater speed and proper cold storage facilities.

Australia.

A monthly service from Halifax or Montreal to Brisbane, Sydney, Melbourne and Adelaide, having allocated to the service three 8,400-ton and two 10,500-ton type ships.

New Zealand.

A monthly service from Halifax or Montreal to Auckland, Wellington, Lyttleton and Dunedin with four 8,400-ton type ships.

Newfoundland.

A tri-weekly service from Halifax in winter and Montreal in summer to St. Johns, Newfoundland, via Charlottetown, P.E.I. in summer. This service is maintained with one 2,800-ton type ship.

ATLANTIC INTERCOASTAL AND ORIENTAL

Intercoastal.

Monthly service from Halifax and Montreal respectively in winter and summer to Vancouver, maintained by six 8,400-ton type ships.

Oriental.

In conjunction with the Intercoastal service the above ships after reaching Vancouver go through to the Orient with Yokohama and Shanghai ports of call.

Charters and Grain.

During the St. Lawrence season two 3,750-ton type steamers were chartered to carry pulpwood between Gulf and River ports. The number of cords of pulpwood carried was 30,611.

Two 3,750-ton type steamers were chartered to carry potatoes between Prince Edward Island and United States Atlantic ports. The number of tons of potatoes carried was 8,828.

One 4,400-ton type steamer was chartered to carry sulphur from Galveston to British Columbia ports. The quantity carried was 3,204 tons.

Great Lakes.

During the summer season a service between Great Lake ports is maintained with six 3,400-ton type and two 3,750-ton type steamers. The total quantity of grain carried was 10,950,474 bushels.

PACIFIC SERVICE

The Pacific services consist of the following:—

Pacific Coastal.

From Vancouver a weekly service to Astoria, San Pedro and San Francisco is maintained with four 3,750-ton type ships.

In addition to the above, the Canadian Government Merchant Marine operates on behalf of the Grand Trunk Pacific Coast Steamship Company three steamers, as follows:—

SS. *Prince Rupert* and *Prince George* operating between Vancouver, Powell River, Ocean River, Ocean Falls, Swanson Bay, Prince Rupert, Anyox and Stewart, and the

SS. *Prince John* between Vancouver, Queen Charlotte Island and Prince Rupert.

No service, however, is operated in the Alaskan trade, although the prospects of trade development on this route appear to be very promising.

United Kingdom—

A monthly service from Vancouver to the west coast ports of the United Kingdom is maintained with four 8,400-ton type ships.

Australia—

From Vancouver a bi-monthly service to Sydney and Melbourne is maintained with two 4,400-ton type ships.

New Zealand—

The above ships make Auckland a port of call.

PACIFIC INTERCOASTAL AND ORIENTAL

Intercoastal—

In conjunction with the Oriental service, the steamers after reaching Vancouver go through to the Atlantic ports of Halifax or Montreal, service being given with the six Oriental service ships.

Oriental—

Monthly service from Vancouver to Yokohama and Shanghai is maintained with six 8,400-ton type ships.

London and Antwerp—

From Vancouver a five-weekly service is maintained to London and Antwerp with three 8,400-ton type ships.

A copy of the evidence taken in connection with its examination of the Estimates of the Canadian Merchant Marine, as well as those of the Canadian National Railways, will be submitted for the information of the House with your Committee's next and final report.

All which is respectfully submitted.

W. D. EULER,
Chairman.

THIRD AND FINAL REPORT

JUNE 11, 1925.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government begs leave the present the following as its Third and Final Report:—

Your Committee to which was referred for consideration and for report to the House the Estimates of the Canadian National Railways and the Canadian Merchant Marine held nine meetings, in the course of which it examined sundry witnesses, including Sir Henry Thornton, K.B.E., President and Chairman of the Board; Major Graham A. Bell, C.M.G., Deputy Minister of Railways and Canals; Gerard Ruel, K.C., Vice-President and General Counsel; S. J. Hungerford, Vice-President, Operation and Construction Department; J. E. Dalrymple, Vice-President, Traffic and Express Department; W. D. Robb, Vice-President in charge of Insurance, Lands, Telegraphs, Colonization, Development, etc.; R. C. Vaughan, Vice-President, Purchasing and Stores Department; C. B. Brown, Chief Engineer, Operation Department; T. H. Cooper, General Auditor; Dr. W. J. Black, Director of Colonization and Development; R. B. Teakle, General Manager, Canadian Government Merchant Marine; J. P. Doherty, Traffic Manager, Canadian Government Merchant Marine and R. A. C. Henry, Director, Bureau of Economics.

Your Committee reviewed in considerable detail the operating statements of the company and, on the evidence adduced, is of the opinion that the customary and necessary maintenance of the permanent way, structures and equipment has been provided.

Item No. 377 of the Estimates provides for a loan of \$60,000,000 to meet expenditures by the company for the fiscal year ending March 31, 1926. During its sittings, your Committee was advised by the Management of the Railway that this item was prepared in the earlier part of the year, but that since then the Estimates have been revised and the management is now of the opinion that only \$50,000,00 is required. From the evidence given, your Committee is of opinion that the amount of \$50,000,000 is necessary for the purposes of the company during the coming year.

Considerable evidence was adduced relating to the activities of the Canadian National Railways in regard to immigration and colonization. Your Committee believes that in the interests of the country and of the National Railways, the activities of the Canadian National Railways should not overlap those of the Government, and that the latter should develop a strong immigration policy.

Your Committee is informed that the Management of the Canadian National Railways during the past year has been giving serious consideration to the question of the reduction of capitalization, and calls to your attention the statement of the President that a plan is being developed which it is expected will be available for consideration during the next session of Parliament.

Your Committee notes that the management of the Canadian National Railways reports that an arrangement has been made under which a French company has taken a lease of the Paris property for a period of forty years upon terms which provide payment to the National Railways as rental of 5 per cent upon the investment in the property and, in addition, provide 200 square metres of office space, rental free, to the railways, the lessee to pay the cost of remodelling the building and taxes upon the entire property during the period of the lease, such improvements as are made to the property to revert to the National Railways at the expiration of the lease.

Your Committee calls attention to the fact that expenditure on equipment in the past year was greatly reduced, and to the statement of the President that no further heavy outlays for freight and passenger equipment are to be expected for some time.

Your Committee also directs attention to the rapidly growing competition of the motor bus and the motor truck, and recommends that the railways give careful consideration to ways and means of meeting this condition.

Your Committee recommends that for the purposes of taxation, all lines operated by the National System should be regarded as the property of the system, so as to remove the present discrimination in so far as the Intercolonial, Prince Edward Island, and Transcontinental Railways are concerned.

Your Committee notes with satisfaction that the National Railways are winning the confidence and good will of the public through the excellence of the service rendered and the courtesy extended to patrons. It is apparent that the employees are striving earnestly to perform their duties satisfactorily.

Your Committee further desires to express its appreciation of the manner in which the President of the Canadian National Railways and the officers assisting him gave their evidence to the Committee.

A copy is attached hereto of the Minutes of Proceedings and Evidence, and of certain statements requested of attending officials which have been printed with the evidence.

Your Committee begs to recommend that its proceedings, together with the evidence taken, be printed as an appendix to the Journals of the House, and that Rule 74 be suspended in connection therewith.

All of which is respectfully submitted.

W. D. EULER,
Chairman.

MINUTES OF PROCEEDINGS

ROOM 429, HOUSE OF COMMONS,
TUESDAY, March 10, 1925.

The Committee met at 11 a.m.

Present: Messrs. Kyte, Euler, Mackinnon, Milne, Drummond, Stewart (Humboldt), Jelliff, Robichaud—8.

On motion of Mr. Kyte,—

Resolved, That Mr. Euler be Chairman of the Committee.

The Committee adjourned to the call of the Chair.

ROOM 429, HOUSE OF COMMONS,
WEDNESDAY, April 22, 1925.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Euler, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Rinfret, Stewart (Humboldt).—10.

Sir Henry Thornton, President of the Canadian National Railways and several members of his staff were in attendance.

Copies of the annual report of the Canadian National Railways were distributed to the members present.

Sir Henry Thornton made a brief statement outlining the operations during 1924, and was then questioned. Elimination of unnecessary competition between the C. N. R. and C. P. R., the merging of the two systems, and the capitalization of the C. N. R. were discussed. Sir Henry indicated measures being taken to effect economies, viz.: standard maintenance; cutting of coal purchases; reduction of fire risks; continuity of service of employees; co-operative plan between employees; and improved shop administration.

Sir Henry Drayton questioned the wisdom of increasing the amount spent on advertising. Sir Henry Thornton defended the outlay.

Mr. S. J. Hungerford, Vice-President of Operation and Construction Department, C.N.R., addressed the Committee briefly respecting the use by the C.N.R. of diesel engines.

On motion of Sir Henry Drayton, it was

Resolved, That the Committee ask permission of the House to print proceedings and evidence.

Mention by Hon. Mr. Graham of the Merchant Marine Report precipitated discussion as to duplication of committees considering ocean transport with the resultant difficulty experienced by members in attending both committees. The Chairman promised to confer with the Chairman of the Ocean Rates Committee to prevent, as far as possible, clashing of committee meetings.

Mr. Rinfret expressed appreciation, on behalf of French-speaking people, for Sir Henry Thornton's courtesy in having the annual report of the C.N.R. printed in French.

Mr. Stewart (Humboldt) suggested that the enquiry commenced last year respecting allotment of carriage of mails between the C.N.R. and C.P.R. should be resumed and requested that the Chairman get in touch with interested parties.

The Committee adjourned at 1 p.m. to meet at the call of the Chair.

ROOM 436, HOUSE OF COMMONS,
THURSDAY, April 23, 1925.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drummond, Drayton, Euler, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Rinfret, Robichaud, Stewart (Humboldt), and Stork—13.

Sir Henry Thornton and members of his staff were in attendance.

Sir Henry Thornton was questioned respecting the Income Statement of the Canadian National Railways as presented on page 17 of the Annual Report for 1924. The subjects of provincial taxation, hotels, dining car service, and debts were elaborated upon.

Major G. A. Bell, Deputy Minister of Railways and Canals, and Mr. T. H. Cooper, General Auditor of the Canadian National Railways, replied to several of the questions asked.

Examination of the Income Statement was completed.

On motion of Mr. Stork, it was

Resolved, That the Committee meet to-morrow at 11 a.m.

The Committee adjourned at 1 p.m. until to-morrow at 11 a.m.

ROOM 436, HOUSE OF COMMONS,
FRIDAY, April 24, 1925.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Cannon, Drummond, Drayton, Euler, Jelliff, Kyte, Mackinnon, Milne, Rinfret, Robichaud, Stewart (Humboldt), and Stork—12.

Sir Henry Thornton and members of his staff were in attendance.

Operating Revenues and Expenses, and Railway Operating Expenses, as shown on pages 18 and 19 respectively of the Annual Report of the Canadian National Railways for 1924, were examined.

Items 101 (Freight) and 212 (Ties) were discussed at length.

The Committee adjourned at 1 p.m. until Tuesday, April 28, at 11 a.m.

MINUTES OF PROCEEDINGS

ROOM 429, HOUSE OF COMMONS,
TUESDAY, March 10, 1925.

The Committee met at 11 a.m.

Present: Messrs. Kyte, Euler, Mackinnon, Milne, Drummond, Stewart (Humboldt), Jelliff, Robichaud—8.

On motion of Mr. Kyte,—

Resolved, That Mr. Euler be Chairman of the Committee.

The Committee adjourned to the call of the Chair.

ROOM 429, HOUSE OF COMMONS,
WEDNESDAY, April 22, 1925.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Euler, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Rinfret, Stewart (Humboldt).—10.

Sir Henry Thornton, President of the Canadian National Railways and several members of his staff were in attendance.

Copies of the annual report of the Canadian National Railways were distributed to the members present.

Sir Henry Thornton made a brief statement outlining the operations during 1924, and was then questioned. Elimination of unnecessary competition between the C. N. R. and C. P. R., the merging of the two systems, and the capitalization of the C. N. R. were discussed. Sir Henry indicated measures being taken to effect economies, viz.: standard maintenance; cutting of coal purchases; reduction of fire risks; continuity of service of employees; co-operative plan between employees; and improved shop administration.

Sir Henry Drayton questioned the wisdom of increasing the amount spent on advertising. Sir Henry Thornton defended the outlay.

Mr. S. J. Hungerford, Vice-President of Operation and Construction Department, C.N.R., addressed the Committee briefly respecting the use by the C.N.R. of diesel engines.

On motion of Sir Henry Drayton, it was

Resolved, That the Committee ask permission of the House to print proceedings and evidence.

Mention by Hon. Mr. Graham of the Merchant Marine Report precipitated discussion as to duplication of committees considering ocean transport with the resultant difficulty experienced by members in attending both committees. The Chairman promised to confer with the Chairman of the Ocean Rates Committee to prevent, as far as possible, clashing of committee meetings.

Mr. Rinfret expressed appreciation, on behalf of French-speaking people, for Sir Henry Thornton's courtesy in having the annual report of the C.N.R. printed in French.

Mr. Stewart (Humboldt) suggested that the enquiry commenced last year respecting allotment of carriage of mails between the C.N.R. and C.P.R. should be resumed and requested that the Chairman get in touch with interested parties.

The Committee adjourned at 1 p.m. to meet at the call of the Chair.

ROOM 436, HOUSE OF COMMONS,
THURSDAY, April 23, 1925.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drummond, Drayton, Euler, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Rinfret, Robichaud, Stewart (Humboldt), and Stork—13.

Sir Henry Thornton and members of his staff were in attendance.

Sir Henry Thornton was questioned respecting the Income Statement of the Canadian National Railways as presented on page 17 of the Annual Report for 1924. The subjects of provincial taxation, hotels, dining car service, and debts were elaborated upon.

Major G. A. Bell, Deputy Minister of Railways and Canals, and Mr. T. H. Cooper, General Auditor of the Canadian National Railways, replied to several of the questions asked.

Examination of the Income Statement was completed.

On motion of Mr. Stork, it was

Resolved, That the Committee meet to-morrow at 11 a.m.

The Committee adjourned at 1 p.m. until to-morrow at 11 a.m.

ROOM 436, HOUSE OF COMMONS,
FRIDAY, April 24, 1925.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Cannon, Drummond, Drayton, Euler, Jelliff, Kyte, Mackinnon, Milne, Rinfret, Robichaud, Stewart (Humboldt), and Stork—12.

Sir Henry Thornton and members of his staff were in attendance.

Operating Revenues and Expenses, and Railway Operating Expenses, as shown on pages 18 and 19 respectively of the Annual Report of the Canadian National Railways for 1924, were examined.

Items 101 (Freight) and 212 (Ties) were discussed at length.

The Committee adjourned at 1 p.m. until Tuesday, April 28, at 11 a.m.

ROOM 429, HOUSE OF COMMONS,

TUESDAY, May 12, 1925.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Sir Henry Drayton, Messrs. Euler, Graham, Harris, Jelliff, Jones, Kyte, Mackinnon, Milne, Stewart (Humboldt), and Stork.—11.

Sir Henry Thornton and members of his staff were in attendance.

The Committee considered the items appearing on pages 22 and 23 of the Annual Report for 1924 of the Canadian National Railways.

Two statements, viz:—

“Disposition of Proceeds of Guaranteed Bond Issues, 1924,” and “Maintenance of Equipment—Reserve Fund for 1923 and 1924,” supplied previously to Sir Henry Drayton by Messrs. Henry and Cooper, were included in the record.

Mr. Harris filed with the Committee a Canadian National Railways pocket calendar for 1924, with an inscription at the bottom thereof “Made in U.S.A.”

The Committee adjourned at 1 p.m., until to-morrow at 11 a.m.

ROOM 429, HOUSE OF COMMONS,

WEDNESDAY, May 13, 1925.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Sir Henry Drayton, Messrs. Euler, Harris, Jelliff, Mackinnon, Milne, Robichaud, Stewart (Humboldt), and Stork.—9.

Sir Henry Thornton and members of his staff were in attendance.

Sir Henry Thornton filed with the Committee, for the record, the following statements previously asked for, viz:

1. Routes operating unit cars, 1925.
2. Cars equipped with sleeping accommodation.
3. New rail purchased and laid, 1923-24.
4. Rails laid—Account 214.
5. Other track material—Account 216.
6. Traffic Department list of officers at outlying points.
7. Traffic Department expenses of outside agencies which exceeded \$20,000, 1924.
8. European colonization offices and expenditures, 1924.
9. Radio Department capital expenditures, 1924.
10. Radio operating expense, 1924.
11. Gross tons per train, years 1924 and 1925.
12. Injuries to persons expressed as percentage of gross earnings—Account 420.
13. Proportion of Pacific Canadian ports wheat shipments to Orient, United Kingdom and Europe.

Mr. Mackinnon moved:—

“That the following be incorporated in a report to the House, viz.—

Your Committee had referred to them Item No. 377 of the Estimates for 1925-26, namely, ‘Loans to Canadian National Railway Company, \$60,000,000.’

During their sittings, your Committee have been advised by the officials of the Railway that this item was prepared in the earlier part of the year, but since then the estimates have been revised by them and they are now of the opinion that only \$50,000,000 will be required.

The details covering this item have been discussed by the Committee and approved.

Your Committee therefore recommend to the Government the desirability of reducing this estimate by the said sum of \$10,000,000."

Sir Henry Drayton thereupon asked for details of the original estimate and of the revised estimate for Item 377. Mr. Mackinnon's motion stands.

Discussion respecting the Annual Report for 1924 of the Canadian National Railways was concluded except as regards the details asked for above by Sir Henry Drayton.

Consideration was commenced of the Sixth Annual (1924) Report of the Canadian Government Merchant Marine, Limited. Discussion centred on the possibilities of developing a chilled meat traffic to Great Britain.

The Committee adjourned at 1 p.m. until 10 a.m. to-morrow.

ROOM 429, HOUSE OF COMMONS,
THURSDAY, May 14, 1925.

The Committee met at 10 a.m., Mr. Euler, the Chairman, presiding.

Present: Sir Henry Drayton, Messrs, Euler, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Rinfret, Stewart (Humboldt), and Stork.—11.

Sir Henry Thornton and members of his staff were in attendance.

In compliance with the request made yesterday by Sir Henry Drayton, a statement was filed for the record showing the items reduced in the revised budget of the Canadian National Railways, by which it is proposed to reduce Item 377 of the Estimates for 1925-26 from \$60,000,000 to \$50,000,000.

Mr. Gerard Ruel, K.C., Vice-President and General Counsel, Canadian National Railways, answered a few legal questions respecting the Regina Hotel.

Some discussion took place regarding coal supplies from Alberta mines; Canadian National Railways refunding issues; chilled fish transportation from Maritime Provinces; labour conditions on the Canadian Government Merchant Marine boats.

The motion submitted yesterday by Mr. Mackinnon respecting Item No. 377 of the Estimates for 1925-26 carried, and it was accordingly:—

Resolved, that the following be incorporated in a report to the House, viz: Your Committee had referred to them Item No. 377 of the Estimates for 1925-26, namely, "Loans to Canadian National Railway Company, \$60,000,000."

During their sittings, your Committee have been advised by the officials of the railway that this item was prepared in the earlier part of the year, but since then the estimates have been revised by them and they are now of the opinion that only \$50,000,000 will be required.

The details covering this item have been discussed by the Committee and approved.

Your Committee therefore recommend to the Government the desirability of reducing this estimate by the said sum of \$10,000,000.

Mr. Rinfret moved, and it was

Resolved, that the following be incorporated in a Report of the Committee to the House;—

Your Committee have considered Item No. 378 of the Estimates for 1925-26, viz. "Loan to the Canadian Government Merchant Marine, Limited, \$668,000.00".

Your Committee approve of Item 378.

Mr. Jelliff submitted a comparative statement prepared for him in the Department of the Interior showing:

- (i) land held for sale in 1922 by the Canadian Pacific Railway Company and by the Canadian National Railways:
- (ii) average sale price of C.P.R. and C.N.R. lands for years 1905, 1910, 1915, 1920, 1921, 1922, 1923, 1924.

which, by permission of the Committee, was included in the record.

The Committee went into executive session and the press representatives and official reporters withdrew.

Mr. Mackinnon moved, and it was:—

Resolved, That the following members be appointed a sub-committee to draft a report for presentation to the House, viz.: Messrs. Euler, Stewart (Humboldt), Rinfret and Harris, and that said report be submitted to the Committee for approval.

Mr. Jelliff said he appreciated the frankness displayed by Sir Henry Thornton and the other witnesses during the sittings of the Committee.

Mr. Stork commented very favourably with regard to the Canadian National Railways' exhibit last year at Wembley, London, England, and congratulated the management thereon.

The Chairman paid tribute to the evident desire of the witnesses to give all possible information and to the efficient manner in which questions were answered.

Mr. Stewart (Humboldt) expressed the opinion that none of the seven different American railway lines over which he had travelled during the last twelve months equalled the Canadian National Railways for service.

Mr. Mackinnon referred to the pride felt by Canadians respecting the management of and the service given by the Canadian National Railways.

Sir Henry Thornton thanked the Committee, on behalf of his associates and himself, for the sentiments expressed.

The Committee adjourned at 1 p.m. to meet again at the call of the Chair.

ROOM 429, HOUSE OF COMMONS,
WEDNESDAY, June 10, 1925.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Consideration of Reports to House

The sub-committee appointed on 14th May last submitted draft reports for approval respecting Merchant Marine and Canadian National Railways, which, after being considered and amended, were adopted.

The Committee adjourned.

MINUTES OF EVIDENCE

COMMITTEE ROOM 492,
HOUSE OF COMMONS,
WEDNESDAY, April 22, 1925.

The Select Standing Committee on National Railways and Shipping met at 11 o'clock, a.m., Mr. Euler, the Chairman, presiding.

The CHAIRMAN: I might say the membership of the Committee is the same as that of last year with the exception of the late Mr. Gauvreau, whose death we all regret very much, and his place is taken by Mr. Cannon. Last year we took up first the estimates of the Merchant Marine. That report is not yet printed but will be printed in the course of a few days when we might take it up. As to the order in which you wish to take up the business this year, that rests with you. The suggestion was made that we do as we did last year that is, as a preliminary statement, to have a sort of resume or report or general description of the work from the president of the road, Sir Henry Thornton. However, the matter is in the hands of the Committee for suggestions as to how you desire to proceed or, possibly, from the Minister.

Hon. Mr. GRAHAM: Run your own Committee.

The CHAIRMAN: I am not asking you to run the Committee. I am merely asking for suggestions. If there is no suggestion from the Committee itself I would say we give Sir Henry Thornton an opportunity to give a little general report of the whole situation.

Sir HENRY THORNTON: Mr. Chairman and gentlemen: I do not know that I can add very much to what is contained in the annual report. That report is quite complete, not only with respect to statistical and financial information but also in connection with any comments which the various items would seem to merit.

I might say to you, however, in a general way that the first three months of last year opened very auspiciously. Business showed a material increase over the corresponding period of last year. Crop prospects were excellent and everything pointed to a highly successful result for the year but beginning in about April business began to fall off, largely due to conditions with which you are all familiar. There was a more or less depressed business condition throughout Canada and, of course, in the United States as well.

Now, a very considerable proportion of our traffic comes from the United States and just in that connection perhaps it would be an interesting digression to say to you that you might imagine that the city of Indianapolis, in Indiana, has no connection or association with the Canadian National Railway System and yet, on a recent visit to that city I found one industry alone which paid us about \$250,000 a year in freight bills, which covered pork packing products which were shipped to Halifax, St. John and Montreal for export overseas. That is a little concrete illustration which will show you how very far-reaching the traffic position of the Canadian National Railway is and that sometimes important centres in the United States, totally dissociated with the Canadian National Railway System, pay us a very considerable sum in freight charges.

As I was saying, the general business conditions on the North American continent resulted in a decrease of \$17,500,000 approximately in our gross earnings; that was a condition which affected most of the transportation companies on the North American continent—we were not alone in that respect.

We offset that partially, perhaps almost entirely but not quite, by a reduction in our expenses of \$14,360,000, and of that amount by far the larger

proportion, that is to say, \$10,000,000, was saved in transportation. As you all know from your previous experience in railway affairs, any money saved in transportation is a real saving, while sometimes money that may be saved in maintenance is not a real saving, and you ultimately have to pay it back with interest.

We have of course reduced both our maintenance of way and the equipment expenses; to what extent that has been brought about is a matter of adjustment by the heads of the various administrative departments. We think the reductions were such as were justified, and did not involve serious consequences to the railway in the future, or deterioration of any kind.

That briefly is the position with respect to the gross earnings and the expenses.

In general I can say that the same enthusiastic spirit which animated the officers and employees in the past was manifest throughout the last year; I think month by month and year by year our officers and men are becoming more proud of their association with the National Railway System, and are putting forth increased efforts to serve the public adequately, to perform their duties conscientiously, and to attract business to the company's lines, and I regard that, apart from anything else, as one of our principal assets, an asset which is difficult to translate into dollars and cents, but which is none the less an asset.

I do not think, Mr. Chairman, that there is anything else I can add. The annual report expresses in much detail the operations of the company, but no doubt there will be detailed questions asked with respect to points of obscurity.

Sir HENRY DRAYTON: In connection with the detention of tonnages, what would you say about the American business, as shown at page 33 of the report? Before going into that, perhaps I should ask you how much truth there is in the disquieting newspaper reports in Detroit as to that business?

Sir HENRY THORNTON: I think you need give these reports but very little attention; they contain no cause for apprehension. I will be very glad to talk with you personally about it and let you know the details, but suffice it to say that there is nothing that need excite alarm as far as we are concerned or the people of Canada with respect to their property.

Sir HENRY DRAYTON: One newspaper article was rather alarming, was it not?

Sir HENRY THORNTON: One never becomes alarmed at the newspaper reports, at least I do not, and I am sure your experience is such that if you were scared by newspaper reports—

Sir HENRY DRAYTON: It was enough to justify the question.

Sir HENRY THORNTON: Yes, it was enough to justify the question, and I am glad you brought it up, but I think you will appreciate that it is a subject which should not be discussed.

Sir HENRY DRAYTON: If it had not been ventilated, we would never have known anything about it?

Sir HENRY THORNTON: I am simply saying that there is nothing that need excite apprehension.

Sir HENRY DRAYTON: The situation is absolutely in hand?

Sir HENRY THORNTON: Entirely. I will be very glad to explain to any member who wants to hear it, what the position is, in private.

Sir HENRY DRAYTON: Perhaps you can give us the declension in tonnage in American territory?

Sir HENRY THORNTON: If we have it segregated. I will have to get that.

Sir HENRY DRAYTON: To save you the trouble I will just pick out some characteristic things, because I do not want to give anybody a long job.

[Sir Henry Worth Thornton.]

Sir HENRY THORNTON: A good many we can answer offhand, but some we will have to look up.

Sir HENRY DRAYTON: Last year we got through very quickly. Perhaps you could give us a summary of immediate economies which can be made by doing something which I see now is at last becoming generally adopted, namely, the elimination of competition between the Canadian National Railways and the Canadian Pacific Railway?

Sir HENRY THORNTON: Well, that is a difficult question to answer in precise figures at this moment. Both Mr. Beatty and myself have felt for a long time, and it has been the subject of discussion for some months, that if we could eliminate wasteful competition, or, to put it perhaps more accurately, unnecessary competition, both with respect to the number of trains and the speed of those trains, which is to say, generally speaking, service, we could save a considerable amount of money.

Sir HENRY DRAYTON: Has it gone far enough for you to give us anything definite in that connection?

Sir HENRY THORNTON: We have gone this far, Sir Henry; there has been a suggestion that we should commence by taking off one train a day per railroad between Montreal and Ottawa, and Montreal and Toronto, and some other suggestions have been made, but we have decided to appoint a Committee (Mr. Beatty and myself) he appointing two or three of his officers, we to do the same, to make a detailed study of not only what trains should come off but what other economies could be produced.

Sir HENRY DRAYTON: When do you think this Committee can get that information?

Sir HENRY THORNTON: Well, I don't know that they can get it very soon.

Sir HENRY DRAYTON: Well, why not?

Sir HENRY THORNTON: Because it is not available. I have no objection to giving it to you.

Sir HENRY DRAYTON: It can be made available to us comparatively early. Did you ever go through the reduction in train service which I arranged between the two companies when I was Chairman of the Railway Board, during the period of the coal shortage?

Sir HENRY THORNTON: I have not had the advantage of seeing that document.

Sir HENRY DRAYTON: I forget how many trains were taken off, but my recollection is that there were from 42 to 46.

Sir HENRY THORNTON: I think the best answer to the question is that both the C.P.R. and ourselves are sincerely and conscientiously examining the situation. It is quite impossible to give at this time in dollars and cents what the economies will be, but it furnishes a fruitful field, and as soon as it is possible to form any estimate of what those economies are, so far as I am concerned I shall be most happy to put the information at the disposal of this Committee.

Sir HENRY DRAYTON: I would suggest to you that while there was a great deal of difficulty in connection with it at the time, in about three months the public entirely adjusted themselves to those conditions and business was going on as usual. That was something like making a real start. For instance, one train here or one train there will not make very much difference. By the way, what is your passenger cost per train mile?

Sir HENRY THORNTON: Of course I may say that you enjoyed an advantage at that time—and a quite justifiable advantage—which we do not enjoy. I take it that you were in a position single-handed, to act in accordance with what

[Sir Henry Worth Thornton.]

you thought was best; you had no one to consult, you made up your mind what you wanted to do, and did it, and that is quite an advantage, as one can readily see.

Sir HENRY DRAYTON: The country will have to get down to the point of seeing that that is done.

Sir HENRY THORNTON: I think you are quite right. I agree with you in that.

Sir HENRY DRAYTON: Somebody has to step in and see that money is no longer wasted, that we cannot afford it.

Sir HENRY THORNTON: It all depends upon what you mean by waste. Personally I do not feel, as far as the Canadian National is concerned, with the conditions which confront us, that there has been any waste. We have been obliged to build up our services, and to create a character of service which will not only serve the public itself, but attract business to our lines. That is what any business concern is obliged to do.

Sir HENRY DRAYTON: You asked what I meant by waste. At present anything is waste on behalf of any system which seeks to dislodge a satisfactory railway service the country already enjoys; in other words, the whole situation is sufficiently grave to recognize that our primary object in connection with the National system is, to give absolutely necessary and proper accommodation to the public and stopping there, not running into accommodation de luxe, not running into expenses for fast trains. That is what I mean and I take it that you are getting around to that point.

Sir HENRY THORNTON: Both the C.P.R. and ourselves are heartily in accord in respect to efforts to introduce every economy that can be found which will at the same time leave the public with an adequate service, and we are both striving towards that end.

Sir HENRY DRAYTON: Perhaps you can give us at this stage the additions to the funded and the unfunded debt of the system in 1922?

The CHAIRMAN: Before you leave that point, might I ask this; in a case where both railroads desire to eliminate waste, but they cannot agree perhaps with regard to the elimination of certain claims—and I think a disagreement is quite conceivable—do you think the heads of the roads might agree, in a case of that kind, to some sort of arbitration?

Sir HENRY THORNTON: As far as I am concerned, (I can only speak for myself) I am always willing to leave any such question to arbitration, if it is fair, I do not care whether it is trained, or whatever it may be.

Sir HENRY DRAYTON: Why should not the Railway Board decide it?

Sir HENRY THORNTON: When I use the word arbitrator, I mean some third party who is presumably unprejudiced, and who would act in the interests of the public.

Sir HENRY DRAYTON: There is no need to set up any more tribunals. All we need is an amendment to the Railway Act which will give the Board power to control eliminations of service as they have over the regular service.

The CHAIRMAN: I am not suggesting a new tribunal, just that if they cannot agree there should be some body with power to deal with it.

Hon. Mr. GRAHAM: Do you not think we should have the heads of both railways here; if you are going to go into questions affecting the C.P.R., why not have the heads of the C.P.R. here? The Canadian National cannot give you any information in regard to the C.P.R., except at second-hand. If you are going into the question of co-operation, which is a very important one, we ought to have the views of the privately owned companies. That is what I want to get at. I have discussed it with Mr. Beatty during the last year.

[Sir Henry Worth Thornton.]

It is a difficult situation to ask a man who is the head of a private corporation to defer his judgment in a case to a third party to the extent which we are discussing now; it may not be impossible, but it may be necessary, and I would like to get the consent of both parties before we consent to anything. Suppose I am a shareholder in the C.P.R., and Mr. Beatty says that train Number 40 is paying; I might object to leaving it to the Board of Railway Commissioners to say that our train Number 40 which is paying well, should be taken off. We want to go carefully, because the C.P.R. is not quite in the same position as the C.N.R. Whatever we apply in the way of co-operation to one, we will have to apply to the other, or there will be no co-operation; in other words, I mean that no matter what we do, we have to get the friendly co-operation of both railways before we can get very far.

Mr. STEWART (Humboldt): May I ask the Minister a question? He would suggest negotiations between both parties; is he prepared to advise the Committee that he thinks it would be wise to call the C.P.R. here with that end in view, that is, with the end in view of arriving at a Board of Arbitration, or some means such as Sir Henry Drayton has suggested here this morning, of arbitrating matters upon which they apparently cannot come to a conclusion?

Hon. Mr. GRAHAM: I do not think we have gone so far as to say we cannot come to a conclusion. I have had quite a bit of correspondence with Mr. Beatty; I think maybe it is personal, but he points out to me several difficulties, while acquiescing in it. I think that we should do so, but it is not so easy when you consider the number of people who are to be affected, and I think the Committee should get the views of both railways and not of one only.

Sir HENRY DRAYTON: There is no question about that, but that is not an answer to why we should not get Sir Henry's views upon it.

The CHAIRMAN: At page 304 of the proceedings of the Select Standing Committee on National Railways and Shipping, the session of 1924, I find this:

"Your Committee desires to direct the attention of the Government to the apparent unnecessary competition and duplication of services between important centres by the Canadian National and Canadian Pacific Railways and to suggest that the railways be invited to consider the whole question with a view to elimination, wherever possible, of unnecessary duplication and competition, so as to conserve the revenues and resources of both companies while still rendering adequate service to the public."

Hon. Mr. GRAHAM: They have been at it a year, and have had a good deal of discussion upon it.

Sir HENRY DRAYTON: I do not think it will be out of the way if we had the private correspondence produced, so that we could see where we are. That was asked to be done last year.

Hon. Mr. GRAHAM: I do not know that we could not get at the same thing by calling them here in a friendly way. I am not wanting to stop you getting anything which you may deem necessary.

Mr. STEWART (Humboldt): The matter is one of serious importance, and I do not think we should put it off. The Minister must have noticed that there is a considerable amount of impatience in the House at the delay in getting concrete action. If there is any move this Committee can make which will bring concrete action, I think we should make that move.

Sir HENRY DRAYTON: I would suggest, Mr. Minister, that at the next meeting we have the correspondence here.

Sir HENRY THORNTON: I am entirely in accord with all that has been said here in regard to co-operation, the co-operative elimination of competition,

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and economy. So far as we are concerned, we have done the best we could to bring that about. I believe the C.P.R. sincerely take the same view, but I should rather not produce correspondence which has passed between Mr. Beatty and myself, without some discussion with him on the subject, and without his approval.

Sir HENRY DRAYTON: We do not want you to do that. I think that is merely a matter of ordinary courtesy, with which nobody can quarrel. I do not want you to offend against any principle which would result in the production of confidential correspondence, but I think you will agree that the Committee would like to know concretely what has been done, and what efforts have been made.

The CHAIRMAN: Is it your opinion that without some controlling authority, such as the Railway Board, or arbitration, that there is little practical probability that we will do anything that is worth while?

Sir HENRY THORNTON: Yes, I think that there is a good chance. When I have the assistance of a third person we would be especially able to make material economies. Now, and it must be evident to everyone when two competitors get together to discuss the question to which they are endeavouring to get to the bottom of, there is always an opportunity for differences of opinion and it is conceivable that in the last analysis the intervention of some other person might be useful. I do not think we have reached that stage yet.

Hon. Mr. GRAHAM: The electors will see that for themselves. I am going to speak plain to the Committee for a minute. Once the service is curtailed—I am not blaming you Sir Henry, I fancy it is one of the difficulties. Both Managers find themselves at variance.

Sir HENRY DRAYTON: I am very familiar with the difficulty.

Hon. Mr. GRAHAM: You will probably agree with me when I get through. You are all aware that there is an impression and there have been complaints from members during election about attempts being made by the Railways to curtail train service in the Counties which they represent. I have no doubt many members have found that difficulty in a great many sections and members are getting impatient; that we should reduce the service in some of the other constituencies.

Mr. STEWART: What does the balance sheet show?

Hon. Mr. GRAHAM: The other fellow should reduce his. I wonder if Sir Henry Thornton would obtain the information which I asked him for along the line of the question with regard to the reduction in service and what effect it would have. I understand you have made considerable reduction.

Sir HENRY THORNTON: I cannot answer that offhand. We can give you a statement to that effect. As a matter of fact I think everybody is in accord as to what we ought to do. The difficulty is to get everybody moving in the same direction.

Sir HENRY DRAYTON: You will never get that.

The CHAIRMAN: To put a very searching question and perhaps you will not feel like answering it: In your opinion would not the real solution be if the two roads were entirely merged?

Sir HENRY THORNTON: That develops a very broad question and is a fruitful field for contentious argument. You will save more money that way than any other way. I can say this if by any chance such a thing should come about, such savings which would result could only be characterized as enormous.

The CHAIRMAN: Would you care to put a figure on it?—A. I think that it is quite within bounds of reason to say if such a thing should come about and I

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express no opinion as to whether it will, but if such a thing should come about we could substantially produce net earnings which would be sufficient to meet the fixed charges of both companies.

By Sir Henry Drayton:

Q. Including the debt owing to the Government of Canada by the National?
—A. That is a highly hypothetical question, but that is the hypothetical answer to a hypothetical question.

Q. It is merely to get your opinion. It is a matter of your life interest. We had better get that worked out. Let us have a statement of that, Sir Henry, what reductions could be made.—A. I have no objection, Sir Henry, to furnishing any information of that sort we have. At the same time I do feel that a discussion of this sort involving the interest of another company ought not to take place without the presence of the other company. I certainly do not want to say anything here which would in any way embarrass our competitor, with whom we are on very friendly and agreeable terms, and if we are going to go into vital matters of that sort, which seriously affect them, I certainly think they ought to have a representative here.

Q. You are quite right about that.—A. It will take some time to get the statement. I can produce a statement, however, in half an hour's time, if you want it.

Q. I ask as to the additions in 1922.—A. Yes, in 1922, \$59,327,818. I think that was in answer to a question that was asked in the House.

Q. In 1923?—A. \$116,033,186.

Q. And 1924?—A. \$118,899,186.05.

Major BELL: The calendar year.

Sir HENRY THORNTON: Yes. In connection with 1924 this information could be given to the Committee, while the debt increased by the amount named for the calendar year 1924 according to the books and the figures consideration should be given to the fact that \$50,000,000 covered a bond issue made in February 1924 for 1923-24 making a total of \$74,550,000.

By Sir Henry Drayton:

Q. There is no doubt about that. That is what was shown by Mr. Robb?
—A. Yes. The whole issues were seventy-two and one-half millions. Twenty-two and one-half millions was for equipment. We cannot compare the Department of Finance figures with the Railway figures. You have to take either one in detail for each year. In that way you will only get misleading figures. The natural thing to do is to get the Railway figures in before you get the Finance figures, unless somebody wants to check both figures.

The CHAIRMAN: Unless there is some special reason for going farther back in the report, is it not felt that we should proceed as we did last year, taking up item by item?

Sir HENRY DRAYTON: It does seem to me, if this Committee is going to be of any use, we have to try and find out some way of stopping this awful slipping. Here we have a situation where we all agree there is far too much money charged against the Railway Company. The next thing I was going to take up was that. The country cannot go on with this drainage and this is a point which it is absolutely necessary some concrete action should be taken in connection with.

The CHAIRMAN: There is no particular intention on my part to shut out any particular kind of discussion.

Sir HENRY DRAYTON: I think for everybody's sake we have to try and stop it. It is the present duty to get to the bottom of it and to get out all the circumstances.

[Sir Henry Worth Thornton.]

Sir HENRY THORNTON: It is only fair to point out in connection with the whole position of our deficits that the situation which confronts us to-day, in so far as the management of the Canadian National Railways is concerned, is the heritage which came from past years, much of that under private administration. We are not responsible for the duplication of lines, for lines that may have been built in advance of traffic, nor are we responsible for any early position as regards the capital position or affairs or matters affecting capital prior to say January 1, 1923. We have inherited a conglomerating mass of properties. We have over one hundred different corporations under the control of the Canadian National Railways System. The financial situation is clear and no one recognizes more than I do that the administration of the National Railways System, the necessity of dealing with this situation as promptly and effectively as possible and with every economy should be gone into.

I want to make it clear to this Committee and I think there can be no argument that to a very large degree we have been working and trying to do the best we can with something which has been handed to us.

The CHAIRMAN: Would you say that the deficits which were constantly coming up and attributed to the National Railways should not have been attributed to the National Railways since they have been under public ownership?

Sir HENRY THORNTON: I do not think State ownership has anything to do with it. I do not think our financial position is in any way attributable to State ownership. I have always taken that position.

The CHAIRMAN: It is the result of?

Sir HENRY THORNTON: Circumstances.

Sir HENRY DRAYTON: The important question is what can be done. There is no doubt about this that the railway situation, and something which is complained of, is that there has been a great amount of money expended for which there was no justification, in the way of duplication of service within areas where there is not the slightest possible justification for it.

Hon. Mr. GRAHAM: I think it should be brought out there are efforts being made to remedy that.

Sir HENRY THORNTON: I frequently hear the argument used, not only in Canada, but elsewhere, that our deficit is entirely due to State ownership. That is not so at all. I have always said the Government of that day acted with wisdom. I do not see what else they could have done. Subsequent Governments have done their best and when it is said that the Government is responsible for the present condition, it is absolutely nonsense. It is due to certain conditions which existed and which had been forced upon us.

I quite agree it is rather vital to try and find out who is responsible. The main point is we have the railway, what are we going to do with it?

Mr. STEWART (Humboldt): I recognize that if we can get some more figures, if Sir Henry can get a statement of the capital invested in the lines with a statement from the Railway Board regarding work that is not necessary or profitable to carry on we would have something before us. We could cut out that work and see what we have left.

Sir HENRY THORNTON: That is a very difficult thing to do. I am quite willing to try it. It means a lot of book-keeping and examination. I question if you could do it.

Sir HENRY DRAYTON: You are considering, Sir Henry, in your Return, and you have not been able to state yet what ought to be a proper capitalization of the National lines.

Sir HENRY THORNTON: We are investigating what the capital position is and I think it is about the most complicated financial proposition in this country

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or in any other country. We have been at it for some time and are investigating it now. I can assure you it is an extremely, complicated difficult job, one of the things we had to do and must ultimately do and we must assess in some form or other the earning power of all of our subsidiary companies which in turn involves the answer to your question.

Then the work of great magnitude is before us. It is not a thing that can be done in thirty days or in a short period.

Sir HENRY DRAYTON: Tell us how far you have gone in that study. To what point have you got in connection with your figures as to what the proper increase would be?

Sir HENRY THORNTON: I could not give an answer to that. I have not any idea of what our proper capitalization ought to be. I shall know ultimately.

Sir HENRY DRAYTON: Do you think we can get it at a fairly early date?

Sir HENRY THORNTON: I doubt very much.

Mr. STEWART (Humboldt): You have an idea of what the capital rate is.

Sir HENRY THORNTON: May I say this, in 1923 it would be impossible to say. Our net earnings were something like \$20,000,000. That would figure out on the basis of about 7 per cent at less than \$500,000,000.

Sir HENRY DRAYTON: Less than the debt to the public.

Sir HENRY THORNTON: Quite.

Mr. STEWART (Humboldt): At the same time, Sir Henry, you were optimistic enough to express the view that that could still be increased and the rate would increase the earnings.

Sir HENRY THORNTON: That is quite true, I think so, if we get an increase in our gross earnings, which we had every reason to anticipate, and which the first three months of the year gave promise of, we would get about \$100,000,000, making the net earnings \$30,000,000, but through circumstances which no one could control, our gross earnings instead of increasing are reduced \$17,000,000.

Our real problem is financing. If we can fix our gross earnings sufficiently, we can with comparative ease pay the fixed charges. Our whole difficulty is a question of co-operation between the two companies, and there is not sufficient business in the country for the two companies.

Sir HENRY DRAYTON: You have put down in this some \$14,000,000. Would you think, Sir Henry, if you had business corresponding to the business of 1923, that you could reduce that expenditure as low as you had it in 1924?

Sir HENRY THORNTON: There would be some increase. Necessarily there must be.

Sir HENRY DRAYTON: There was an item of \$10,000,000, you must lose that—Transportation?

Sir HENRY THORNTON: Yes. I think we could probably operate for something less than we did in 1923, I do not know. It is a big question to answer. You can always see that it is much easier to improve the operating ratio with so much gross earnings than it is to improve your operation with indefinite gross earnings, when you would only get about enough gross earnings to keep the road going.

Q. Unless some of your traffic is exceptional?—A. Yes.

Q. There is one thing I would like to get a little information on, growing out of the question of the Chairman. We had a loss in Western territory in 1923, if I remember rightly, and Sir Henry will correct me if I am wrong, of two million dollars odd or \$2,200,000. In 1924 the Railways, according to statistics, carried 2,300,000 less tons of wheat and your figures show that you

[Sir Henry Worth Thornton.]

shared in that declension of the wheat business. Nevertheless in Western territory you only lost last year \$1,200,000, so as far as Western territory is concerned it would look as though the less business you did the less money you lose?—A. That is not quite an answer, Sir Henry.

Q. I know it is not but I want it explained?—A. What has happened is this. We started approximately in 1923 to perfect an organization necessarily and obviously. That organization moves more effectively year by year. That is true of any organization that is worthy of the name. It simply means that both in the western territory and in the Maritimes we are getting a tighter hold on the expenses. We are introducing each month and each year more economic conditions. We are finding ways in which money can be saved year by year as the efficiency of our operations improve. We, for instance, increased our train load materially last year; we materially reduced our coal consumption; we very largely reduced our loss through fires and in various ways, year by year—this is the history of every railroad—you get a little better hold on the situation. That, for instance, became more efficient and each year we find ways in which money can be saved which we did not find the previous year.

Q. Perhaps we could have some figures on that to go to illustrate that situation?

By the Chairman:

Q. There is a general impression that the Western lines have been the revenue producing lines. I see according to a statement in your magazine that the western region lost something over a million; the central region had a net profit of sixteen million dollars; the United States lines a profit of five million dollars and the Atlantic region a loss of three and a half million dollars. That is rather contrary to the general opinion which was held, that it was the western lines that were producing a profit. That is not the case?—A. I do not think any one said the Western region was operated with a profit.

Q. I have an item this morning, from the Winnipeg Free Press which reads:

“WESTERN LINES PAY

Even under conditions as they are the Railway lines in the three prairie provinces pay their way and turn in handsome surpluses both to the Canadian Pacific and the Canadian National Railways. This cannot be proved by a reference to the published statements by the Railway Companies, since they are very careful not to segregate the earnings of the Prairie roads, but it is true nevertheless.”

A. I have nothing to add to that statement.

Q. The statement here contradicts that?—A. Yes.

Sir HENRY DRAYTON: I think the books are fairly properly kept.

Sir HENRY THORNTON: Of course you must remember that the division of a railway for operating purposes into three regions is for operating purposes and it only has a value insofar as it contributes to the welfare of the whole.

By Sir Henry Drayton:

Q. But so far as the West is concerned the Free Press makes a mistake there because the bulk of the crop, the bulk of the movement in western territory is wheat, the great bulk. What is the total of the wheat movement out of which the railway makes money; taking 100 per cent as the total movement?—A. A ratio running from 92 per cent to 94 per cent moves to the head of the Lakes and other stocks. That means there is no traffic in connection with the wheat from the 94 per cent, of the western traffic, which the eastern section enjoys. On the other hand I suppose we have had to do the

[Sir Henry Worth Thornton.]

same thing. I remember very well when I was looking after that movement when we used to have to collect from twenty thousand to thirty thousand empty box cars all over the country, collect all those empty and the expense of collecting those cars was charged to the eastern territory while the only earnings that we got would be a miserable five or six per cent left out of the whole 100 per cent.

Q. Is that the same situation to-day?—A. I think everyone understands the crop movement, that we in the late spring have to assemble some twenty thousand cars or so and distribute them to various points throughout the west in preparation of the wheat movement. That means on the average some twenty thousand cars have to stand idle for approximately thirty days on the average, by the time you are done with them, and that involves a very heavy expense. That is an expense which legitimately should be charged to the wheat movement, and it would be a very difficult accounting task to segregate it, but it nevertheless is something which has to be considered; consequently it comes down to this, that the movement of our annual crop is about the most unremunerative traffic we have. There is not much money in the wheat movement for us, if any.

Q. What was your empty car mileage? We will get it pretty well that way.—A. I will tell you that in a minute. On page 31 will be found a statement of our car mileage. For the year 1922 it was 8,356,000 miles, to round up the figures, and the loaded mileage was 20,820,000 miles. That will be found in the first items on page 31. I will have to revise that. It is on page 30, Sir Henry, at the bottom of the page items 51 and 52. Roughly speaking the car mileage was about 50 per cent of the total, a little more; about that.

Q. That shows a very unbalanced movement?—A. Of course our east-bound movement, loaded movement, exceeds the west-bound movement.

Major BELL: It is one third of the whole.

The WITNESS: That is right, one third.

Sir HENRY DRAYTON: Almost 50 per cent, loaded?

Major BELL: Yes.

Sir HENRY THORNTON: It is one third of the total and one half of the loaded. Empty mileage is only productive insofar as it excites loaded movement. It is an economic waste.

By the Chairman:

Q. Here is something in connection with the operating revenue. You have operating net revenue about \$17,500,000. Can you tell us how that is made up, how much was earned on passenger business and how much on freight?—A. I do not think we could segregate that. Of course we could give you the passenger and freight earnings.

By Sir Henry Drayton:

Q. Page 18, item 101 and 102?—A. That gives the earnings but it does not give the expenses.

Q. I do not know if you are still using the same method of book-keeping but on the Intercolonial one time we had figures worked out, about eight years ago allocating direct costs of the passenger, train mile costs, and freight train mile costs, and they were reduced to the basis of passenger mile car cost, freight train mile cost. I remember those figures. I do not remember them generally.

The CHAIRMAN: The chief criticism seems to be in connection with passenger trains, that there is a duplication.

[Sir Henry Worth Thornton.]

Sir HENRY THORNTON: We know perfectly well, and I think it is more or less true of most railway companies, that the passenger business does not in itself pay. Passenger business only pays in suburban zones where you have large masses of traffic leaving at certain hours and can prepare for it. I do not think there are any traffic lines on the American continent that are making any money out of their transcontinental and general passenger business.

By the Chairman:

Q. Do the records show what they are?—A. No. After all, how many passenger trains you run depends partly on the financial side of it, partly hinge on the question of public convenience and partly on what you have to do to maintain good relations with the public.

By Sir Henry Drayton:

Q. And a certain amount of advertising?—A. And a certain amount of advertising. All of these factors have to be taken into consideration as to whether you are going to put on a new train or take one off. For instance we decided, not long ago, to introduce a new through train between Ottawa, Montreal and Washington, carrying sleeping cars for the South, for Southern points and furnishing to the public a through connection from Canada, which they never enjoyed before. Of course we participated in that largely through the Central Vermont Railway. We have found that that has been a profitable proposition. It is not only a convenience to the public but it has turned out to be profitable. That is one of the things you have to hunt up and develop and put on if you think it is justified. We were not sure when we put that train on if it would pay, but we found it is a useful train and it does pay.

By the Chairman:

Q. I know it is understood that the passenger business does not pay but I think it would be interesting to the Committee to know just what the loss or profit is?—A. It is a very difficult thing to segregate because there are a great many items entering into the expenses of a railway that have to be divided on a purely arbitrary basis, superintendents, general expenses, traffic expenses and things of that sort. We have to have a purely business way of allocating that between traffic. Take the salary of the Vice President, how much is to be charged to freight and how much to passenger. There are a great many items you have to apply to the earning standard, car mile standard or some such standard of that kind to allocate the expense.

By Sir Henry Drayton:

Q. They used to allocate those expenses to car mileage?—A. That is the usual way, but at the same time it is only an arbitrary rule.

The CHAIRMAN: Gentlemen, how do you wish to proceed.

Sir HENRY DRAYTON: We had not finished what I started. That was the carrying charges to the public and the carrying charges to the government?—A. In the year 1922 the interest on our funded debt which was due to the public was \$33,723,850.40; the interest due to the government was \$24,912,875.88; the interest to the public in 1923 was \$34,126,065.80; and to the government, \$30,157,943.67. In 1924, to the public \$38,361,704.14; to the government, \$31,271,043.

Major BELL: That last figure is highly inaccurate inasmuch as there is a lot of cash on hand.

Sir HENRY DRAYTON: In connection with that addition to the net debt you have on hand cash to the extent of some thirty million dollars, which I assume would be the unspent balances.

[Sir Henry Worth Thornton.]

Major BELL: Take for instance, the Toronto terminals, we borrowed on that in the neighbourhood of \$8,000,000 or \$9,000,000 or more, probably a little more than that and that is lying in cash. It is carrying itself. It is true it is a debt; it is there in cash. In some places you get branch lines, branch lines on a three-year programme; you go out and borrow a million dollars this month and a million another month.

By Sir Henry Drayton:

Q. How much in branch lines?

Major BELL: I cannot say. There is another thing, you should not go on to your market to borrow money when you require it; you should always go before you require it, otherwise you are liable to be held up.

Sir HENRY THORNTON: Various questions will be asked which we might not be able to answer immediately off-hand and I think it would contribute a good deal to clearness if each member who has a question to ask would kindly let us have that question concretely so we can get the information.

The CHAIRMAN: You might be a little ahead.

Sir HENRY THORNTON: Sometimes a question is asked in the course of a discussion. Sir Henry Drayton just asked a question.

Sir HENRY DRAYTON: The thing to look at is the reduction in American tonnage.

Sir HENRY THORNTON: If it would suit you just as well, if you would give Mr. Henry a list of the questions you want to ask we will be prepared to answer them. I do not want to let anything go by default.

The CHAIRMAN: There is apparently \$100,000,000 added to the debt of the railways last year and Major Bell has made certain statements indicating that that should be reduced. Can you tell us what the net addition to the debt of the railways should be, taking all those matters into consideration?

Major BELL: Do you know the cash on hand, Mr. Grant?

Sir HENRY DRAYTON: Thirty million dollars. That is one of the things we are going to have. We are going to get that in the statement.

Major BELL (To Mr. Grant): Divide it up into branch lines, Toronto terminals and general account.

Sir HENRY DRAYTON: Whatever it is raised for, whatever account it should go into.

The CHAIRMAN: He wants to give us a detail.

Sir HENRY DRAYTON: Yes.

The CHAIRMAN: Are there any other questions from the members?

Sir HENRY DRAYTON: He might make any suggestions he has before we go into accounts and figure them out for ourselves.

Sir HENRY THORNTON: Perhaps the most fruitful field will be such economies as will legitimately result from the elimination of unnecessary competition and a closer degree of co-operation between our two railway systems.

The CHAIRMAN: Does that apply to passenger or freight or both, or more to one than the other?

Sir HENRY THORNTON: It would presumably apply more to passenger than to freight although there is a possibility that general economies will ensue from the more co-operative use of each other's facilities.

Sir HENRY DRAYTON: There is always a great field for economies in connection with way-freight trains.

[Sir Henry Worth Thornton.]

Sir HENRY THORNTON: That is a constant field for economy. It will not be exhausted probably this year or next year but it will go on indefinitely until it reaches, in the course of years, the vanishing point.

Then, generally speaking there are those economies which ensue from railway efficiency, as the organization becomes more and more used to its work, and as we from time to time find fields for economy. For example, we have under consideration, and it is almost perfected, standardizing the character of maintenance which should be employed on different branches and parts of the railway system. We necessarily must have a higher standard of maintenance on a through trunk line, where there are fast passenger trains, than would be necessary or justifiable on branch lines, where there may be perhaps a few trains a week only. We are now endeavouring to set up a standard of maintenance for those different classes of the railway as a maintenance which will be consistent in the matter of expense with the demands of the traffic. We are constantly pursuing also a campaign of an improved coal consumption. We are constantly investigating the efficiency of the different coals that we purchase.

We are also year by year reducing our fire risks, and the damage and loss from fire, and in all these various avenues which are well known in the railway industry and which cover innumerable subjects we are endeavouring to economize and to find improved ways of saving money.

There is one very fruitful field that has not yet been touched upon, that is the matter of personnel. To-day most railway companies employ men on comparatively little examination with respect to their usefulness or fitness. We select men on a physical examination, and some other little examination, to be sure, as far as we can, to find out, that they are desirable men; but it still is a fact that we sometimes employ a man as a workman who really would make a very good clerk, and vice versa. Therefore, there is a considerable economy in the matter of employing the staff to induce precautions to ensure that we get the right man on the right job, a job for which he is fitted.

Then there is the question of continuity of employment. It has been estimated that when we dismiss a man we lose anywhere from \$50 to \$500; no matter how humble his position, a certain amount of money has had to be wasted upon that man, to educate him to his duties. Now, if we can find some way of promoting continuity of employment, we are going to save a very considerable sum of money.

We are also introducing into our shops, and have just made a start at it, a co-operative plan for shopwork, a co-operative plan between the employees and the shop administration, which has been employed with great success notably on the Baltimore and Ohio Railway.

We have started that at Moncton, and it promises considerable economy. It makes our employees more or less partners in the operation of the shop, and it is an enlightened method which promotes good feeling with the employees and thereby results in better work on their part.

We spend a great deal of money in inspecting, examining and testing of all the material we buy, but we have not introduced the same methods in respect of our men. It is a field which the railways as a whole are just embarking upon, and there is not only considerable economy involved, but there is also the possibility, the probability in fact of developing a very much better feeling amongst our men.

The CHAIRMAN: Let me ask this question, and I will not interrupt you again; are your activities obstructed or restricted in the matter by the railway Unions?

Sir HENRY THORNTON: None whatever. We are working in perfect harmony with the Railway Unions. I may say we have had the most hearty

[Sir Henry Worth Thornton.]

support of the Trade Unions, not only the machinists, but all of the employees. With respect to the Railway Unions, one of the railways of the United States has maintained that co-operation in their train service, and it promises success; so that the field for economies, the opportunities represent something of constantly increasing importance and embrace a vast number of subjects.

Sir HENRY DRAYTON: Last year we had a fairly long discussion as to advertising; we thought a million dollars was a lot of money to spend for advertising. This year I notice the economies are going in an inverse direction, and we are spending in advertising, not printing, \$1,280,911 so that we are not doing very much economizing in that way.

The CHAIRMAN: When business is bad, do more advertising. We have all heard that.

Sir HENRY THORNTON: That is a matter of judgment. I do not recognize that as waste. We propose to push our wares. We are going to go to the extent we deem wise, to attract business to our lines.

Sir HENRY DRAYTON: This is again one of the expenses due to insidious competition?

Sir HENRY THORNTON: No, I do not think that is a competitive factor at all important. We always have to do a certain amount of advertising, particularly when we have what is a new and as yet an unknown field. Our railway furnishes more opportunities for the operation of advertising campaigns than the older and longer established railway companies, and we propose to vigorously push our campaign of advertising in any direction which we think is to the advantage of the company.

Sir HENRY DRAYTON: So we have to add that to the last. We do not want the details to be made public, but last year I asked why they should not be made public. I am not going to insist upon it, but I think we should examine that correspondence. We will examine these figures and see what can be done.

Sir HENRY THORNTON: We will have all that at the beginning of the week. To make it quite clear, this company does not propose to sit down and do nothing in the matter of getting business. If this company thinks it is necessary to advertise to get business, we are going to advertise.

Hon. Mr. GRAHAM: This line made some capital expenditure. This situation has arisen, and is arising more and more every day, that the condition of the passenger traffic will be such that it will be nearly cut in two. On some railways in the United States it has been reduced forty per cent by the automobile, and the short haul freight business is also being rapidly transferred to the trucks. Would it be practicable on short lines, where we are running a steam rail service without express cars or baggage car, maybe a mail coach and one or two passenger cars, would it be practicable to do that business with a motor car?

Sir HENRY THORNTON: You mean a motor car running on the railway?

Hon. Mr. GRAHAM: A motor car running on the railway. I have this in mind, the bus which is run privately now, can stop anywhere and let a man off or take him on, and the motormen can do the same thing. The steam car cannot compete with the motor car for a short haul. Would it be possible on a lot of our branch lines to give the people an adequate service in those motor cars, and cut out the steam cars altogether? Would there be a saving there?

Sir HENRY THORNTON: In general, Mr. Graham, the answer is that on certain branch lines unquestionably there is a considerable economy in the employment of the motor-propelled vehicles as distinguished from railway trains. We have a number of those motor cars in operation, and generally speaking they have been economically successful, and, generally speaking as and when opportunity occurs, we propose to extend their use.

[Sir Henry Worth Thornton.]

The CHAIRMAN: Have you made any further progress in connection with the development of the Diesel gas engine?

Sir HENRY THORNTON: I am afraid I will have to ask Mr. Hungerford to tell you exactly what the position is. The Diesel engine situation is still in its experimental stage. If you would like to know in detail how it stands, I will have Mr. Hungerford explain it to you.

Hon. Mr. GRAHAM: We had it discussed last year, and found it interesting.

Sir HENRY THORNTON: Do you want to hear it now? It is for you to decide.

Hon. Mr. GRAHAM: I think it is a matter of importance, and that we should hear whatever is to be said about it.

Sir HENRY DRAYTON: It is covered in the report, 13 storage battery cars, and so forth.

Sir HENRY THORNTON: Are you speaking of the Diesel engine?

Sir HENRY DRAYTON: We are going into the question of the self contained car.

Sir HENRY THORNTON: I think myself that it is not at all unlikely that in the course of years the Diesel engine may emerge as a highly economical factor in railway action, but it still is in a very experimental condition.

Mr. STEWART: (Humboldt): I think it would be very interesting if we could get some information upon these points.

Sir HENRY THORNTON: Mr. Hungerford, will you kindly come forward and tell the Committee your views in regard to the Diesel engine, anything along that line you think will be interesting.

Mr. S. J. HUNGERFORD: Mr. Chairman, this question divides itself naturally into two parts; first, the Diesel rotary train and the Diesel propelled motor car. There is nothing experimental about the Diesel engine itself. The difficulty lies in the means to be employed to transfer or transmit the power from the Diesel engine to the wheel. At the present time we are constructing a line of different motor car units, on which the Diesel engine will be employed to generate electricity and the electricity in turn will be used to operate motors and trucks as being a means and a successful means of transmitting power.

Hon. Mr. GRAHAM: You mean to develop electric power with this Diesel engine?

Mr. HUNGERFORD: A Diesel engine connected with a dynamo in the body of the car. We are considering plans for a Diesel locomotive in which the Diesel engine will be connected to a rather elaborate system of driving wheels. That is altogether in an experimental stage, and we cannot say very much about it at the present time. I think there is very little doubt but that the Diesel motor car will be very satisfactory and more economical.

Sir HENRY DRAYTON: What is your loss from changing your power from gas to electricity?

Mr. HUNGERFORD: We can get between 70 and 80 per cent efficiency.

Sir HENRY DRAYTON: After turning it into electricity?

Mr. HUNGERFORD: Yes; probably about 70 or 72 per cent. That is the advantage of the use of gears in connection with the locomotive, in this way, that if we can get satisfactory gearing we can get about 92 per cent.

Sir HENRY DRAYTON: You cut out loss by friction?

Mr. HUNGERFORD: Yes.

Sir HENRY DRAYTON: How do you find the self contained units?

[Mr. S. J. Hungerford.]

Mr. HUNGERFORD: It depends upon the particular purpose for which we desire to use them. In some cases cars directly geared to the axle give good service, while in other cases the storage battery cars give better results.

The CHAIRMAN: Have you developed a gas propelled car of your own?

Mr. HUNGERFORD: No sir.

The CHAIRMAN: Might I ask, is the Diesel engine an expensive engine as compared with a gas engine?

Mr. HUNGERFORD: It is rather expensive as to the first cost, but not expensive afterwards.

The CHAIRMAN: How does it compare with the storage battery car?

Mr. HUNGERFORD: As to the first cost?

The CHAIRMAN: Yes.

Mr. HUNGERFORD: We do not know yet, at least not fully. The Diesel motor car units I think will be a little more expensive than the battery cars, as to first cost.

Sir HENRY DRAYTON: Could you give us the car mile cost of these different machines?

Mr. HUNGERFORD: Well, obviously they vary on the different runs.

Sir HENRY DRAYTON: Take the first ordinary gas car in use. You have one running out of Trenton.

Mr. HUNGERFORD: They run all the way from 30 to 50 cents a mile, including depreciation.

The CHAIRMAN: How much do you allow for depreciation, in actual movement?

Mr. HUNGERFORD: We do not know that; we have not used them long enough. The depreciation on certain units is rather high, while on others it is very reasonable.

Sir HENRY DRAYTON: Take your storage battery cars and your electric cars, how do they compare on car mile cost?

Mr. HUNGERFORD: Generally speaking, about forty cents a mile.

Sir HENRY DRAYTON: How long do you lay them up for storage on a battery car, for charging?

Mr. HUNGERFORD: Well, it takes 7 to 8 hours, that is for full charge. But the charge is generally split up between two or three different periods in a cycle of 24 hours.

Hon. Mr. GRAHAM: Have you given any consideration at all to the advisability of in some cases using trucks on the highways?

Sir HENRY THORNTON: When you come down to the discussion of the truck in competition with the railways, you have to take also into consideration the condition of the highways. Motor competition in England is probably more serious than it is in the United States, although with the constantly improving highways in the United States their motor bus competition is approaching the point, if it has not already arrived, when it is serious. In Canada, due to the fact that we have less improved highways than for instance exist in England, motor competition is not so serious, but as the highways in any country improve, in almost the same ratio the motor bus becomes more and more a competitor of the railways.

Hon. Mr. GRAHAM: There would be this view of it, that if you have motor buses on the highways you are likely to be immediately asked to contribute quite heavily to the upkeep of the highways?

Sir HENRY DRAYTON: In all of these discussions we have to reckon with the possibility of legislation of some kind and the question of the employment of motor propelled vehicles on the highways is one we have been looking into. There is that factor that some day the taxation on motor vehicles may increase, with a view to establishing or providing funds to be used for highway improvement, and that has always to be reckoned with. It seems to me it must be a big thing in connection with motor transport on the railway. We find motor buses running on earth roads.

Mr. MILNE: You have to take into consideration our severe winters in Canada, which makes the operating of motor buses in the winter a much more serious thing than operation in the Southern States of the United States or in England or France where there is practically no interference from the weather.

The CHAIRMAN: It makes it more favourable over here. That is something which we enjoy.

Hon. Mr. GRAHAM: Except you have the disadvantage of more expensive operation in the winter.

The CHAIRMAN: You have that anyway. I think I am safe in saying in some parts of Canada winters might be so severe as to eliminate the possibility of motor bus operation.

Hon. Mr. GRAHAM: The motor bus lines are practically open all summer and when there is traffic it goes to the motor buses.

The CHAIRMAN: In summer the traffic goes to the ordinary automobile. When the roads are closed up they go to the railways. That is the case on the line running out of Kitchener, where the motor buses had to stop entirely. It was then good business for the National Railways. The motor buses could not be used.

Sir HENRY THORNTON: The motor-propelled vehicle is a constantly increasing competitor of the railway and it is a thing that has got to be watched and it may be that in the course of time railways will have to more or less go into the motor bus business.

The CHAIRMAN: Unless there are other questions I would like to suggest to the Committee that we decide our course of procedure. Do you want to go through this statement in the regular way, that is page by page, item by item and discuss them?

Sir HENRY DRAYTON: It occurs to me, very likely as we have not had any discussion in the House or from the Minister giving general details of the situation that there are members who are not very familiar with these things. They might want to go over them. As far as I am concerned I am ready to go on at once.

The CHAIRMAN: The report was in the hands of the members.

Sir HENRY DRAYTON: They got notice of the meeting this morning.

The CHAIRMAN: I asked that these notices be sent out on Friday.

Sir HENRY DRAYTON: I heard nothing about it until last night. I do not think the members have had much opportunity to look into what I think will be a very important question.

The CHAIRMAN: What more could you get than the report before you?

Sir HENRY DRAYTON: We might have got the usual illuminating address of the Honourable Minister.

Hon. Mr. GRAHAM: I want you to say that publicly in the House. I thought somebody would make the suggestion here on the further important question of having the report in both languages.

[Mr. S. J. Hungerford.]

Sir HENRY THORNTON: This was a delicate compliment—

The CHAIRMAN: I would like the feeling of the Committee as to what is to be done; do the Committee want the stenographic report printed? Last year the Railways were kind enough to reproduce this for us. It would be quite a job.

Sir HENRY THORNTON: We would be glad to assist in any way.

Hon. Mr. GRAHAM: I would rather think unless there is something which the Committee really wanted to have prepared that it would not be worth while printing all our conversation.

Sir HENRY DRAYTON: If we are going to save time in the House later on I think you would be wise to do as you did last year. The proceedings were printed last year and every member had a copy.

Sir HENRY THORNTON: A copy of the daily proceedings was made and we would be glad to do it this year.

Mr. STEWART (Humboldt): I think we should have the daily proceedings. It is impossible to make accurate notes or carry the large figures which are being discussed and which we sometimes wish to refer to.

The CHAIRMAN: It is understood that we have a reproduction in the same way as last year. If we want it printed in that way we can decide on that. Would 25 copies be sufficient?

Sir HENRY DRAYTON: I know some members who are not on the Committee follow the proceedings very closely and I think it would be a good thing to let the members know what is going on.

The CHAIRMAN: Would you suggest a larger number?

Sir HENRY DRAYTON: I think any member who wants one should have one.

The CHAIRMAN: Is there any great difference between having these mimeographed and printed from day to day? I think it costs a good deal more to have them printed by the Printing Bureau.

Mr. STEWART (Humboldt): It did not cost us anything as the railroad looked after that.

Sir HENRY THORNTON: There is a cost.

The CHAIRMAN: We would have to get permission from the House to print them from day to day.

Sir HENRY DRAYTON: I would move that the Committee get permission from the House to print them from day to day.

Mr. RINFRET: Seconded.

(Carried.)

Hon. Mr. GRAHAM: I hope when the Committee meets next day we will have the Merchant Marine Report. They have been ordered in sufficient numbers to go out to all members.

Sir HENRY DRAYTON: We have an overlapping of Committees. The Committee on Ocean Rates is considering the Ocean situation, and the Merchant Marine are considering their question, and there are members who are on both Committees and are very much interested in the questions to be discussed, such as the question discussed last year of cattle raising and costs in connection with the cattle business, which Sir Henry Thornton went into very thoroughly. I do not know if there is any feasible way whereby these two Committees could be merged. We will save a lot of time to the members.

Hon. Mr. GRAHAM: Like joining the two railways.

Sir HENRY DRAYTON: It would be easier. Another thing is this, the respective Chairmen should consolidate. We ought not to have a conflict in the sittings of the two Committees.

The CHAIRMAN: You mean have a joint sitting when we are discussing Merchant Marine?

Sir HENRY DRAYTON: In discussing these matters they should never be sitting at the same time.

The CHAIRMAN: I do not see how the Railway Companies concern the Committee.

Sir HENRY DRAYTON: Except in this way: The Railways would be interested when Ocean rates were being discussed. That comes practically within the scope of traffic arrangements and the railway would be interested in anything which might arise in connection with decreasing rates.

The CHAIRMAN: The other Chairman will get our printed report.

Mr. STEWART (Humboldt): There is a matter I would like to give notice of to the Committee, and that is I will ask for a further investigation into the matter of the carriage of mail. We took it up to some extent last year, but I do not think we went far enough into it. We made a report before we had full information and I think we should examine officials from the Post Office Department. I think we should take it up, that Sir Henry Thornton should take this as notice, and that we should also ask the Post Office Department to send some person here.

The CHAIRMAN: When would you like this?

Mr. STEWART (Humboldt): I am not insisting on any time. I am prepared any time. I would leave it till the Railway and Post Office officials are prepared to come.

Sir HENRY DRAYTON: I have no brief for the Canadian Pacific Railway, but where something we do affects another railway it ought to be notified when these things are going to be taken up. If the Canadian Pacific Railway wants to send any person here to look after their interests, that would be their business. I think it is only fair that we should notify them of any matters we propose to take up, like the distribution of mail in which the two railways are most vitally concerned, affecting the Canadian Pacific as well as the Canadian National. We should give them an opportunity to present their side of the case.

Mr. STEWART (Humboldt): To give them an opportunity to appear. My own view is this, that this is a matter involving the Post Office Department and the Railways, but the Post Office is the Department who say the way in which they shall make the distribution, but as regards the carriage of the mail it would only be fair to allow the railways to come in and present their views.

Sir HENRY DRAYTON: In my opinion the best thing to do is this, the Committee have jurisdiction over the Post Office and are in a position to get information from them. I doubt very much however if we could exercise our jurisdiction over them. The Post Office Department performs a public convenience and service in connection with mail. If they are doing that they are functioning properly.

Mr. STEWART (Humboldt): I was not suggesting we should sit in judgment. I had your thought in mind, that in hearing these matters they should be given an opportunity to present their side of the case and in that way we would be doing justice towards them. I think perhaps the Post Office Department would be glad to present their side.

The CHAIRMAN: I am quite sure.

Sir HENRY DRAYTON: I suggest that steps be taken to discuss the matter with the Postmaster General.

The CHAIRMAN: We can discuss the matter with the Canadian Pacific and National Railways and the Post Office.

Hon. Mr. GRAHAM: I think the Post Office Department is really the only Department to discuss it unless something arises in which the companies feel they are interested. It can be discussed. The Post Office Department has the responsibility of handling the mail service and what the railways are interested in is the carriage of the mails, but I think the Post Office Department is primarily responsible.

The CHAIRMAN: I think there is another phase after all and that is that these two services, the Post Office and National Railways should co-operate a little closer than a private company.

I am informed that the Ocean Freight Rates Committee meets every morning. If that is the case we might plan to have our meeting in the morning and it is suggested that the Committee get permission to sit while the House is in session.

Sir HENRY DRAYTON: They sit in the afternoon also. What I would like to know is, are any of these Committees going to be of the slightest use if we do not have some discussion. It is apparent to anybody who has the slightest idea of fairness, if these two Committees are called together, it will be impossible to be in both. It is entirely a question as to the service.

The CHAIRMAN: How are you going to avoid it?

Sir HENRY DRAYTON: I do not know how it is going to be done. I am not responsible for appointing these two Committees.

The CHAIRMAN: I think in regard to the Marine matters—

Sir HENRY DRAYTON: That is the only one I am referring to. So far as the Ocean Rates Committee is concerned, it is to my mind ridiculous to have it and this Committee sitting at the same time. I make the suggestion to the Chairman that he confer with the Chairman of the other Committee to arrange that these Committees do not conflict.

The CHAIRMAN: We have only to deal with our Merchant Marine.

Sir HENRY DRAYTON: I see no reason why one should be required to be in two places at the same time. A lot of the time of this Committee would be wasted while they were talking about Merchant Marine. That is one of the misfortunes the Government has created.

Hon. Mr. GRAHAM: It just happens that these two Committees are dealing with one railroad matter and discussing the same thing, and every member of the House, who is active, is on more than one Committee. I think possibly the two Chairmen should confer and see if they could have the meeting arranged so they would not conflict. I would suggest that could be done by giving us a couple of days a week.

The CHAIRMAN: I am willing to do that.

Hon. Mr. GRAHAM: The other Committee, instead of meeting this morning, is meeting this afternoon at 2 o'clock to allow this meeting to take place.

Sir HENRY DRAYTON: The regular meeting of the Railway Committee was being held in that room.

The CHAIRMAN: I understood you to say this Committee is meeting both forenoon and afternoon. If that is the case, I do not see how you can avoid two meetings going on at the same time.

Mr. STEWART (Humboldt): Is it absolutely necessary that that Committee should meet every morning and every afternoon? Could they not compromise with us?

The CHAIRMAN: I will see the Chairman of the other Committee.

Mr. STEWART (Humboldt): It is unfortunate there is this conflict. It is a fact as the Minister says that members are on various Committees. The standing Committee on Railways is meeting this morning and I think every member of the Committee should be down there. This other is a special Committee and because it is a special Committee, I think it is unfortunate that Sir Henry Drayton and Mr. Rinfret should have to consider whether they should attend that Committee.

The CHAIRMAN: I think Sir Henry should propound his present argument at the other Committee.

Sir HENRY DRAYTON: I did so very vigorously.

The CHAIRMAN: Do we wish to meet again before I consult with the other Chairman?

Sir HENRY DRAYTON: Confer with the Chairman.

Sir HENRY THORNTON: May I ask what you want to do about this Post Office matter? We will be prepared to discuss it after receiving a little notice.

The CHAIRMAN: I think we might get in touch with the Post Office Department and the Canadian Pacific Railway and the National. Do you wish to have the three together? I do not know that I would care to call the C.P.R. in the matter and I agree with Mr. Graham's suggestion that they receive notice if they are interested in it.

Mr. STEWART (Humboldt): We have no authority to call them.

The CHAIRMAN: That is true. We have no authority to put them under oath.

Sir HENRY DRAYTON: Why not? In the other committee I know we put them under oath.

Hon. Mr. GRAHAM: We fought that out last year. Now, we had better arrive, as soon as we can, with these other Chairmen at some decision as to this railway committee because we have the expense of the officials coming up. They cannot spend their time coming up and down. We will have to give them a chance. We will have to arrive at some decision as to when the committees are going to meet in order that they can arrange their work.

Mr. RINFRET: I would like in a couple of words to emphasise the remarks which Mr. Graham has just made, and which I had in my mind, as regards the publication in French concurrently with the English copy of this admirable report. I am not going to make a speech. I think I make it plain enough when I say, on behalf of the people whom I represent in this House and on this Committee, that we all feel very grateful to Mr. Thornton and the Canadian National Railway Company for having done so.

The CHAIRMAN: Will you decide whether you want this Post Office conference to take place?

Mr. STEWART (Humboldt): I move we do have this conference.

The CHAIRMAN: And that the Post Office officials be invited.

Mr. STEWART (Humboldt): And that the Chairman be instructed to get in touch with the interested parties and arrange a date that will be agreeable.

The CHAIRMAN: Including the Canadian Pacific Railway?

Mr. STEWART (Humboldt): Yes.

Mr. MILNE: I second that.

Mr. STEWART (Humboldt): Before we adjourn there is one other matter I would like to give notice that I want information on. It is an item that will come up when we are discussing further on these tie contracts. Mr. Henry will know what information I would like to elicit in that respect.

Sir HENRY THORNTON: Will you kindly tell Mr. Henry what information you would like to get.

Mr. STEWART (Humboldt): Yes, I will.

The Committee adjourned.

COMMITTEE ROOM 436,
HOUSE OF COMMONS,
THURSDAY, April 23, 1925.

The Select Standing Committee on National Railways and Shipping met at 11 a.m., Mr. Euler, the Chairman, presiding.

The CHAIRMAN: Gentlemen, we have a quorum now, and we may proceed. Yesterday, the discussion was largely of a general nature. Have you any suggestions now as to how we should proceed this morning?

Mr. KYTE: I would think that after the preliminary discussion we had yesterday of a general character, we ought to adopt if possible, some systematic method of proceeding item by item and page by page, so that there will not be any retraversing of the same field. What do you think Sir Henry? (Drayton).

Sir HENRY DRAYTON: I am perfectly agreeable. I do not want to support anything or to do anything that would shut off discussion, but I think we should proceed as orderly as we can, it being understood, of course, that that would not prevent any member from raising any question later on.

The CHAIRMAN: Do you not think that that would be observed, Sir Henry, if we took the statement page by page, and item by item? If any one wants to ask a question leading further afield, that would be quite satisfactory. We have the Balance Sheet on pages 14 and 15, which is, of course, a summing up of all the business of the year. Do you wish to discuss that, or go right into the details? The Income Statement is on page 17, which is then followed by the Statement of Operating Revenues and Expenses, and Railway Operating Expenses on the following pages. Do you wish to discuss anything in the Balance Sheet itself? The assets are given on page 14.

Sir HENRY DRAYTON: I think it would be better to take the details and work back.

The CHAIRMAN: That will take us to the Income Statement on page 17. The first item is "Railway Operating Revenues" \$235,000,000, and "Railway Operating Expenses" \$218,000,000, giving a net revenue from Railway Operations of \$17,244,251.48.

Mr. MACKINNON: You will have to take up page 18 to see the items of that.

The CHAIRMAN: These are given in detail on the following pages. The Revenues are given down below. That is merely a summing up, these first two items—Total Operating Revenues, \$235,000,000, and Total Operating Expenses \$218,000,000; Net Revenue from Railway Operations \$17,000,000. These are dealt with in detail on the following pages.

Mr. KYTE: This Net Revenue, is it applied to any particular purpose, or is it ear-marked for the purpose of meeting any particular obligations?

Sir HENRY THORNTON: No, the Net Revenue represents, of course, the difference between Gross Earnings and Expenses, and that goes into the general pot of the company and is applied in the last analysis against the capital

charges for the year, against the fixed charges for the year. It is not earmarked for anything at all.

The CHAIRMAN: What are the total fixed charges?

Sir HENRY DRAYTON: You will get that later on in the same list, items 546 and so on.

The CHAIRMAN: Total charges to the public.

Sir HENRY THORNTON: We gave these figures yesterday, and they are here. Interest on unfunded debt—

Sir HENRY DRAYTON: \$38,361,704.14. Items 546, and 546 (a).

Mr. KYTE: So this surplus goes to pay the interest so far as it can go upon the funded debt?

Sir HENRY THORNTON: Well, it is like a man who has a mortgage on a hotel. What he makes out of the hotel he applies to pay the interest on his mortgage.

The CHAIRMAN: "Railway Tax Accruals" what does that consist of? \$4,588,593.56.

Sir HENRY DRAYTON: The explanation is given in the summary by Sir Henry at the commencement, heavy accruals from Manitoba.

Sir HENRY THORNTON: These are taxes during the year which are charged against the revenues of the Company, and a large percentage of which, I believe, is in connection with the Province of Manitoba.

The CHAIRMAN: Municipal taxation?

Sir HENRY THORNTON: All forms of taxation, municipal and provincial taxation.

Sir HENRY DRAYTON: What was the total increase in Manitoba?

Sir HENRY THORNTON: \$433,000.

Mr. KYTE: Is that taxation upon the railway proper?

Sir HENRY THORNTON: Yes.

Mr. KYTE: Are you liable for taxation in all the provinces?

Sir HENRY DRAYTON: No, No.

Major BELL: We are liable for taxation where there is a company, but on the Government-owned roads, there is no taxation.

Mr. KYTE: You do not pay taxes in Nova Scotia?

Major BELL: No. Where the railway owns property along the Government Railway that is not held for railway purposes, we pay taxes on. In Halifax, for instance, we pay taxes.

Sir HENRY THORNTON: The whole taxation position is to be the subject of discussion with the proper authorities of each of the provinces with a view to coming to some understanding which will be satisfactory in the protection of the interests of everybody.

Sir HENRY DRAYTON: That was the position last year; it was about to be discussed. I appreciate that there are difficulties, but it is in *statu quo*. It has been that way for years.

Sir HENRY THORNTON: The prolongation of discussion of a liability is not a serious matter for the creditor, though far be it for me to give any opinion that there is any undue delay. Still, as Sir Henry points out, it is a difficult and complicated subject which we have tried to adjust in the interests of everybody.

Sir HENRY DRAYTON: It turns not on the question of the provinces but on the question of ownership. In Ontario there are no taxes paid on the Trans-continental.

[Sir Henry Thornton.]

Mr. MACKINNON: That \$4,588,000—is that accrual paid in?

Sir HENRY THORNTON: We have to set that up as a liability in our books.

Mr. MACKINNON: Should it be entered as if it was income?

Major BELL: A large portion of it has been paid; a certain amount has not been paid. It is set up there as owing until we straighten the whole thing out. That is the amount the Provinces hold us liable for. The major portion of that has been paid out, and the balance is set out in the books as a debt until it is finally adjusted.

Sir HENRY THORNTON: It is a deduction; it is not added, it is a deduction.

Sir HENRY DRAYTON: The reason you have it there is that it is not cleaned up, and therefore does not go into the disbursement column?

Major BELL: That is the proper thing to do.

The CHAIRMAN: The next item is Uncollectible Railway Revenues.

Mr. STORK: Before we go on, how does the treatment of the Canadian National compare with that of the C.P.R.?

Major BELL: Both railways have been dealing with the Manitoba Government. We both feel that the taxation is unfair and excessive there, and it is in dispute, and I think our taxation, as I understood the charge against us, has been we claim heavier than the C.P.R., for the reason that in certain sections on our density of traffic, we are losing money, where they have a density of traffic on which they are making money, and we claim we should not have the same taxation. In other words, if a man is in business and has an income of \$100,000 he should pay a tax on that amount, but if he has come through the year with a debit, or a loss, we claim he should not be charged the same taxation on his income. That is where the dispute lies with the Province of Manitoba. We would treat both alike. We had some trouble with the Province of Ontario—if I may call it trouble—a difference of opinion a year ago. We took it up with the Province of Ontario a little over a year ago, and reached an amicable settlement which was agreeable to all, and we are cleaned up as far as the Province of Ontario is concerned, and the C.P.R. is in the same position, so that Ontario is cleaned up, up to date.

Mr. STEWART: Would Major Bell explain the basis of assessment which has been found acceptable?

Major BELL: We will get that later on for you. I prefer not to discuss that until we reach an agreement with the different Provincial Governments, if there is no objection; we can give it in private, but we prefer not to discuss it publicly, as it might prejudice our settlement.

Mr. HARRIS: Can you give us that later on?

Major BELL: Yes.

The CHAIRMAN: Mr. Stewart wants to ask something. What was your question, Mr. Stewart?

Mr. STEWART: I understood that some basis of settlement of taxation had been arrived at in one of the Provinces, and that it differed from Ontario, and I think Major Bell's answer was that he would give the information in private.

Sir HENRY DRAYTON: I should think it would be very important to arrive at some common basis of taxation in all the Provinces.

Major BELL: That is what we are trying to do.

Sir HENRY DRAYTON: It is a quite proper thing to do. One Province should not have any advantage over another in the taxation of Government railways. In Manitoba the situation is that we are not paying taxation on our Transcona Terminal.

Major BELL: No. That is owned in fee simple.

[Sir Henry Thornton.]

Sir HENRY DRAYTON: So that we are in better shape than the C.P.R.?

Major BELL: As far as the Government-owned lines are concerned, but we should have a basis for all other lines.

Sir HENRY DRAYTON: We have very large shops there. I should think that that would be a good lever to use.

Sir HENRY THORNTON: We have big shops elsewhere too, Sir Henry, and they represent a considerable investment.

Mr. McKINNON: Have you any basis upon which you work?

Major BELL: Not directly, Mr. McKinnon: Take the Intercolonial, in Eastern Canada should that not pay taxes to the provinces in the same way as the Canadian Northern through Manitoba?

Major BELL: My personal opinion is that the Intercolonial and the Government railways should be put on the same basis as other railways. But when you say that they do not pay taxes, while they do not directly pay taxes, indirectly they give a great many things a company road would not give; for instance, in the old days for grade separation we paid 100 per cent, while other railways were assessed for it, so that there was a quid pro quo; but the day is coming when we will pay taxes all over the Dominion.

Mr. STEWART: I was going to ask what condition the branch lines now under construction will be in, with regard to taxation?

Major BELL: They will be taxable, because they are company roads, except those branches of the Intercolonial which are paid for directly by Government money or being financed by Government bonds.

Mr. STEWART: In what companies?

Major BELL: The Canadian National.

Sir HENRY DRAYTON: That raises an interesting question. Is not the financing the same for all branches?

Major BELL: Yes, except taking a branch off the Intercolonial, under that Government Railway Act.

Sir HENRY DRAYTON: You are still operating under that?

Major BELL: It has not been operating for a year, but it is in the Statutes.

Mr. STEWART: Where the railway builds these branches, would you claim exemption from taxation?

Major BELL: Do not misunderstand me. Take the branch line Bill for the three-years programme which may or may not go through, we are paying taxation on all those branches, but it is still within the power of the Government to take over every other branch, and we would not pay taxes, but that has not been done for some years, and I do not think it will be used for some time.

Mr. McKINNON: They are all bonded, I suppose, the acquired lines of the Canadian National Railways?

Major BELL: And the Government controls the stock in those Companies.

The CHAIRMAN: Any further questions upon that item; if not, we will pass on. No. 533, Uncollectible Railway Revenues, \$38,198.09, a small item. The next is Railway Operating Income, \$12,617,459.83. No. 502, Revenues from Miscellaneous Operations, \$2,015,458.20. Are these items to be found in some other place?

Sir HENRY THORNTON: 95 per cent of that amount represents hotel operations; revenue from hotels; that is miscellaneous operations.

Sir HENRY DRAYTON: We have another item; we have a separate item of \$135,000.00, Receipts from hotels and restaurants.

[Sir Henry Thornton.]

Sir HENRY THORNTON: That is right; but this represents the revenue from miscellaneous operations; that represents probably ninety per cent, those two items, the rest of it is in some small land operations.

Mr. JELLIFF: How do you account for the increase in the deficit in hotel operations?

Sir HENRY THORNTON: Revenues from hotels amounted last year to \$1,795,000, and the expenses were \$2,032,000. Most of the increase in the expenses was due to repairs and renewals in the steward's department.

Mr. JELLIFF: Are the golf courses in this item?

Sir HENRY THORNTON: There is no expense for golf courses; that is a capital account.

Sir HENRY DRAYTON: That is a betterment?

Sir HENRY THORNTON: Surely it is. The revenues amounted to \$1,795,279.38.

Sir HENRY DRAYTON: And the expenses?

Sir HENRY THORNTON: \$2,032,939.41. There was an item of taxes in addition to the expenses of \$60,278.17, and that you will find just below; it is given here in Item 535, Taxes on Miscellaneous Operations. That does not include all of it, but it represents the bulk of it; the rest was some land operations.

Sir HENRY DRAYTON: Before we leave the hotels, I would assume that that does not include the carrying charges?

Sir HENRY THORNTON: No; that is only revenue and expenses.

Sir HENRY DRAYTON: I would assume so. What is the capital charge on the hotels now?

Sir HENRY THORNTON: \$13,300,000 odd. That approximately represents it.

Sir HENRY DRAYTON: That is the capital; the carrying charges would be about 5½?

Sir HENRY THORNTON: I suppose it would be somewhere between five and six per cent; five per cent is the ordinary general going rate.

Sir HENRY DRAYTON: That is to-day, not when these things were built?

Sir HENRY THORNTON: These hotels were built a good many years ago, and I do not remember offhand, although we can produce the figures, just what the figure charged in each individual item is, but I should say roughly, and you can count it up for the purposes of an estimate, that five per cent would be about right. It would not be less than five and not more than six per cent.

Mr. RINFRET: How many hotels are there in the line-up?

Sir HENRY THORNTON: Ten.

Mr. RINFRET: That would represent the loss in the year in the operating of those ten hotels?

Sir HENRY THORNTON: Yes. Of course you cannot regard that as entirely a loss. I question very much if we were to-day embarking upon this enterprise, the Canadian National Railways, whether we should build as many hotels, or perhaps as expensive hotels as we built. That is one of the things we have inherited, these various hotels. In some instances, hotels were built, and in other cases promises to build hotels were made for certain concessions from certain municipalities and communities. There was a certain amount of bargaining; for instance, take the city of Winnipeg, we have a hotel at Win-

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nipeg which would be a credit to New York, London or Paris, as fine an hotel as you will find anywhere, and yet there we divide the business of the community with the C.P.R., which also has a very admirable hotel there.

Sir HENRY DRAYTON: I recollect the figures for that hotel, I think; I think they ran upwards of \$10,000 a day.

Sir HENRY THORNTON: It is fearfully expensive. That hotel, if you had it in New York, London or Paris, would be a gold mine.

Mr. RINFRET: You mean the Fort Garry?

Sir HENRY THORNTON: Yes, I mean the Fort Garry Hotel. If we had to do that to-day, it is quite certain we would not build that sort of hotel; on the other hand, a good many of these hotels do bring a certain amount of traffic to the railway. Take the Jasper Park, for instance. The Jasper Park Chateau had a net last year of \$10,000, and that is an hotel which will continue to increase its profits from year to year.

Sir HENRY DRAYTON: What is the capital charge against the Jasper Park Hotel?

Sir HENRY THORNTON: I cannot tell you offhand, but I will get that for you. That hotel for instance, has a very large tourist traffic, because without some kind of tourist accommodation in a place like that we would get no tourist business. The C.P.R. have followed the same policy in the development they have made at Banff, which is perhaps one of the best known tourist resorts on the North American Continent, and I daresay their investment there would run into some millions. So that you cannot always say that a loss in the actual operation of the hotel means in the last analysis as large a loss to the company itself.

Sir HENRY DRAYTON: We had roughly a deficit of \$1,000,000 last year.

Sir HENRY THORNTON: I would think so. There is another aspect of it too; you never can tell whether you will attract tourists enough, and you never can tell whether you may not be attracting some business man who will see the country, like it, stay here, and invest some money in it. It has in some respects the aspect of a national propaganda.

Mr. STORK: Jasper Park had a disastrous fire, had it not?

Sir HENRY THORNTON: No. The station was burned down. But it was covered by insurance.

Mr. JELLIFF: Can you tell us whether these different hotels you have represent a gain or a loss, each one?

Sir HENRY THORNTON: Yes. I can give you the details of each one of these hotels at once, if you want them.

The CHAIRMAN: Would it not save time if a statement could be handed to Mr. Jelliff?

Mr. JELLIFF: Yes. I would like to see which ones are paying and which ones are not.

Sir HENRY DRAYTON: To get it complete, get the capital charge against them.

Sir HENRY THORNTON: I can get out a statement of these, plus the capital charge against each hotel.

Mr. HARRIS: Can you tell us which is responsible for the big deficit?

Sir HENRY THORNTON: The Fort Garry. That was conducted at a loss of \$194,000 practically last year, an enormous sum, but that condition was due largely to the fact that we split the business with the C.P.R. at Winnipeg. A curious thing is that the MacDonald Hotel at Edmonton, Edmonton being a

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small city, where one would think perhaps less passengers would be accommodated, had a loss last year of only \$55,000.

Sir HENRY DRAYTON: And it is a very much better constructed hotel?

Sir HENRY THORNTON: Furthermore the business is not divided.

Sir HENRY DRAYTON: You say there was a loss there; I thought there was a gain.

Sir HENRY THORNTON: No.

Sir HENRY DRAYTON: At one time we had a profit in figures, as I recollect it.

Sir HENRY THORNTON: I don't know.

The CHAIRMAN: What about the Chateau Laurier?

Sir HENRY THORNTON: That is our prize baby. The net at the Chateau Laurier last year was \$48,000.

Mr. RINFRET: A loss?

Sir HENRY THORNTON: A net gain.

Mr. RINFRET: That is in operation alone, that would not include the capital charges?

Sir HENRY THORNTON: I am only speaking of the difference between revenue and expenses.

Mr. RINFRET: What about the proposed hotel at Regina. A hotel was to have been built at Regina?

Sir HENRY THORNTON: The position there is this; we are under contract, which likewise we inherited, to build a hotel at Regina. As I remember the figures, something rather more than \$200,000 has been spent upon that hotel. Some of the structural steel work had been erected and I think some of it was on the ground and we were under this contract to complete the hotel. The city demanded the fulfilment of our contractual obligation.

Q. You did not make the contract?—A. No, I said that in the first place. That was one of the things we secured from Mackenzie & Mann.

Q. The Grand Trunk Pacific?—A. Yes, so there was nothing for us to do but say very well we will have to fulfil our contract and the Government made an appropriation to that end. We entered into negotiations to see if there was not some other arrangement that could be made that would be satisfactory to both parties.

By Sir Henry Drayton:

Q. What does your Legal Department tell you as to your liabilities? I would think that the Grand Trunk Pacific were receiving the proceeds?—A. I can give you that information.

Q. I think it would be a good thing if you would send the information?—A. The Legal Department have advised me that we are liable.

Q. That is news. I think it would be a good thing if you would send in the information.—A. I can have that information this afternoon or to-morrow morning.

Q. It would be much better if we had the information.

By the Chairman:

Q. Did you have any large loss?—A. No.

By Mr. Stewart (Humboldt):

Q. What was the nature of the work? Can you tell me as to the work on the part of the contractors?—A. I would have to get those figures.

Q. I think it would be better to have that.

[Sir Henry Thornton.]

By Mr. Mackinnon:

Q. Have you any hotels in the Mountains?—A. No.

Hon. Mr. GRAHAM: I am not sure that I had not better put a copy of the agreement on the table. I am not sure that I did not put that on the table of the House. I got it ready in case it would be required. The copy of the agreement can be obtained. My Deputy thinks I put it on the table and it will be very easy to get that copy of the agreement.

Sir HENRY THORNTON: As we are on the Hotel question we had \$483,000 of passenger receipts directly allocated to the expense of Jasper Park Lodge.

By Sir Henry Drayton:

Q. Was the hotel large enough to take care of all tourists?—A. There are certain times of the year we may be somewhat short of accommodation, but practically speaking yes. The patronage is increasing rapidly year by year.

By Mr. Stewart (Humboldt):

Q. Do you anticipate a further extension there of your plans?—A. Well nothing immediate. At the present time, I think the situation will take care of itself, and we will undoubtedly find it profitable to add more bungalows to the surroundings of the hotel.

Q. Are there some of these hotels which if separated from the whole group would be profitable assets. I suppose that answer will be in the returns?—A. You ask are there any hotels which, if eliminated—

By Mr. Stewart (Humboldt):

Q. If the figures were isolated from the whole it would show a profit to the railways.

Sir HENRY THORNTON: We have given the figures. There are no railway earnings. These are purely hotel earnings.

Mr. STEWART (Humboldt): You have not understood what I am asking. You have mentioned the Chateau as net and Jasper Lodge as net and you have said carrying charges are not taken into consideration there. May we take two or three of that number of the hotels, discarding the others, and take them as an asset, carrying charges included?

Sir HENRY THORNTON: No.

By the Chairman:

Q. Do any of them take into consideration the carrying charges?—A. No. If you allocated to the hotel the amount of railway traffic that was caused by the presence of the hotel it would improve the position, but it would be an almost impossible thing to do, that is with any degree of precision.

By Mr. Stewart:

Q. I was not thinking of that. I was thinking of the figures as you keep them in your records.—A. I am afraid I cannot answer your question. There are none that have their carrying charges as a hotel proposition and with regard to the capital charge on each hotel. Where there are a great many hotels built by railways all over the world, all the hotels do not pay, but the railway company feels they are advantageous in view of the passenger traffic which they encourage and other inherent advantages. Take the dining car service on most railways, I doubt if there are many railways that make them pay, yet it is a service the railway must maintain. There are very few roads that make any money on dining car service, yet there should be a profitable part in that, if we can get to the table d'hote basis.

[Sir Henry Thornton.]

Q. If the element of competition between our two Canadian Railroads were eliminated would it greatly affect the situation of the hotels?—A. I think it would for instance—that requires a little thought. Unquestionably there would be an opportunity for saving. I could not answer that with any degree of preciseness without going into it much more in detail.

Q. Would you indicate what you base your supposition on?—A. For instance this is purely a suppositious case, and one must not attach any more significance to it than would be attached to any hypothetical statement. We have two hotels in Winnipeg and we have our difficulties. Probably one hotel would be enough to look after the business for both companies.

Q. You have the new Commonwealth there?—A. I do not think it would be regarded as a good hotel for two railways.

By Mr. Rinfret:

Q. I believe that is the only city where both companies have an hotel?—A. At Vancouver the Canadian Pacific have a very excellent hotel which serves their interests.

Q. Your company has none?—A. We have none, and the day may come, when if nothing else happens, we may have to do something in the way of an hotel at Vancouver, either directly or indirectly.

Q. There are no hotels in British Columbia?—A. I forget whether Jasper Park is in British Columbia or Alberta; that is the only hotel.

By Mr. Kyte:

Q. You mentioned the dining car service would it be a paying proposition to adopt the table d'hote system instead of the a la carte?—A. There has been a difference of opinion as to whether the a la carte service is better or the table d'hote.

By the Chairman:

Q. Is it a better service?—A. A very good service. It is employed in Europe with considerable success. Most dining car superintendents on the North Atlantic up until recently have operated the a la carte, as the people would not stand for the table d'hote service. I have always had the opinion in my own mind, which is perhaps the result of European experience, that the table d'hote service ought to serve the public just as well with considerable more revenue to the railway. We put on a table d'hote service in the Maritime Provinces and are trying it out.

Mr. KYTE: That is right, take it out on the poor old Maritimes.

The CHAIRMAN: You are getting your answer now, Mr. Kyte. You asked for it.

Mr. KYTE: That is quite all right.

Sir HENRY THORNTON: I will tell you why we are doing it there. Because that is one of the few places where we can try it without disturbing our relations with the C.P.R. I do not want to put it on any competitive runs because it might affect them, so we decided that we would try it in the Maritimes. We are accompanying this experiment with a little card explaining to the public what we are trying to do, and why we are doing it, and asking each patron of the dining-car service to express an opinion of what he thinks of it. In other words, we want to get the consensus of opinion from the travelling public, as to what the effect is on them. My feeling is this: if, for example, I came to visit you for a week-end, I would probably be satisfied with the food you had in your house. If we could furnish something of that character of food to the passengers—

Sir HENRY DRAYTON: That would be too high a standard.

[Sir Henry Thornton.]

Hon. Mr. GRAHAM: It all comes to a question of standards, anyway.

Sir HENRY THORNTON: I may be leaning toward extravagance in putting forth that opinion, but if we can furnish good, home-cooked food in our table d'hote service on our dining cars, we can save money, and I think the public will be just as well satisfied. However, it is only an experiment we are trying out, but if it works out we will then probably extend it. For the life of me I cannot see why a table d'hote service will not be as satisfactory to the public as an a la carte service. It is used almost exclusively in Europe, and on some of the English lines and I defy you to get a better meal anywhere than in their dining cars.

Hon. Mr. GRAHAM: I have to go over to another place of somewhat more or less importance. It seems to me it all depends in both cases on the way the service is handled. We had it on the I.C.R., and the Minister who at that time was more or less responsible for everything, said that the complaints were daily and continuous as to the American plan service. Complaints were coming from both sides. I had the car conductors here one day and they told me on the question of the service on the trains, that there was twice as much food ordered, because a man, if he can get a meal for \$1.50, will likely try to get the worth of his money, and there was a great waste entailed, due to the fact that the travelling public to a large extent would order a great deal more than they could eat, and the loss was greater. The reason it was changed to the à la carte service was so that if a man ordered three times as much as he wanted to eat, he would have to pay for what he ordered, and not for what he ate. If you can have the American plan, all right, but it did not work out the last time. I hope it will. I am not objecting to it. I am pointing out the difficulties we had, and the people of the Maritime Provinces compelled us to change it, because it was not satisfactory.

Sir HENRY THORNTON: We thought on account of the superior intelligence of the people of the Maritime Provinces, that we could get a better opinion than we could from any place else.

Mr. STEWART (Humboldt): If I remember correctly, last year Major Bell made a statement in regard to this dining-car service, and referred to some investigation which he had made.

Major BELL: Mr. Graham referred to the change-over from the table d'hote to the a la carte system. We had the table d'hote on the Intercolonial, and we had a great many complaints. There was a great deal of waste; passengers would order different foods which they did not require, probably just taste it and then leave it, and there was a tremendous waste. We also had the complaint that the Canadian Pacific leaving St. John had an a la carte system—there is one point you would conflict, Sir Henry (Thornton)—

Sir HENRY THORNTON: Yes.

Major BELL: —and that we had the table d'hote service, and the people seemed to feel they would rather order what they liked from the menu card.

Mr. STEWART (Humboldt): From a financial point of view or returns to the railway—

Major BELL: The result was that we lost; of course, we lose on both, but we lost more money on the a la cart service than we did originally on the table d'hote.

Mr. STEWART (Humboldt): That is as I recall your statement of last year.

Mr. HARRIS: I want to ask Sir Henry (Thornton) a further question in regard to a question that was asked last year relative to the dining-car service.

How many of your employees, Sir Henry (Thornton), are American citizens, how many are Canadian citizens, how many are coloured and how many white,

[Sir Henry Thornton.]

and what is your policy with regard to the continuation of dining-car service with coloured help?

Sir HENRY THORNTON: I do not think we have any coloured help in our dining-car service.

Major BELL: We had for a short time, I think before your day, Sir Henry (Thornton), on the western lines. We had the Japanese service for a while.

Sir HENRY THORNTON: On most of the American railways the dining-car waiters are coloured men, but I do not believe we have got any in our own service. If there is one, I do not know where he is.

The CHAIRMAN: Not on your American lines?

Sir HENRY THORNTON: (To Mr. Harris) You were speaking about porters? I was speaking about dining-car service.

Mr. HARRIS: Porters and dining-car men.

Sir HENRY THORNTON: The porters are universally coloured men; the waiters in our dining-cars are, I think, almost to a man, white. What their citizenship may be, or where they came from, I could not answer offhand. I suppose we can get it, but it will take some little time to get it.

Mr. HARRIS: I spoke to Major Bell about it last year.

Sir HENRY THORNTON: The point is that on these parlor cars and dining cars on the day service there are a great many American citizens.

Major BELL: The answer is that when we took over the Grand Trunk they had a contract with the Pullman people and the Pullman people operate their cars under that contract, and probably 75 per cent of the porters are American citizens, but I think you will find that practically 100 per cent of the railways owned and controlled sleeping and dining cars are Canadians.

Sir HENRY THORNTON: Do you want to know the policy of the company in that respect?

Mr. HARRIS: I understand there are quite a number of American citizens on trains out of Chicago running over Canadian territory. Is that so?

Sir HENRY THORNTON: They would be Pullman employees.

Mr. HARRIS: You would have no control over them?

Sir HENRY THORNTON: No. We cannot dictate to the Pullman company whom they employ, as long as they are satisfactory servants of the Pullman company, as long as they perform their duties properly.

Mr. HARRIS: It was intimated last year here that the policy was to eliminate them more and more.

Sir HENRY THORNTON: The policy of the company, so far as practicable and so far as it can be done, is to employ British subjects, Canadian citizens, on our lines. But there are certain circumstances, of which this is one, where it is not practicable, and in that case, it probably does not amount to very much anyway. I think it is a question which could well be left alone with that statement of policy, as far as we are concerned.

Mr. HARRIS: As long as we get some idea of the progress you have made along that line. The question was asked a year ago.

Sir HENRY THORNTON: That is the policy, to employ Canadian citizens on our lines of railway, wherever that is possible, and we intend to follow that policy up.

Mr. HARRIS: Can you give us the number of American citizens working on your lines and on your properties?

Sir HENRY THORNTON: It would require some time to get it.

Mr. HARRIS: I do not want to put the company to any unnecessary expense, but last year we were here with a statement of policy, and we are here this year with a statement of policy.

[Sir Henry Thornton.]

Sir HENRY THORNTON: The only way to do it would be to canvass the railroad, and that is going to be a fairly large undertaking, but I am willing to see if there is anything we can do to furnish the information.

Mr. HARRIS: There is surely some record of the employees?

Sir HENRY THORNTON: But we are dealing with 100,000 men.

Mr. HARRIS: Not in the porter and dining room service?

Sir HENRY THORNTON: I thought you were dealing with the whole system.

Mr. HARRIS: If it is going to be an expensive matter, I will drop it.

Mr. JELLIFF: Would it not be of equal importance to get the employees in other lines of employment on the railway?

Sir HENRY THORNTON: Yes; it would apply to other lines as well. But you have to remember when you raise that whole question that there are a very large number of Canadian citizens who are nowadays profitably employed in the United States, and personally I think it is as well not to stir up the subject. Personally, I do not care a rap one way or the other.

The CHAIRMAN: Anyway, your general policy is to employ Canadians?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: I think that ought to be satisfactory.

Sir HENRY THORNTON: I will see what I can get and will let you know.

Mr. KYTE: Taking trains running between Toronto and Chicago, these parlor men run right through?

Sir HENRY THORNTON: Yes. And I think probably to a man they would be American citizens.

Mr. KYTE: You could not change them when the train got to the boundary?

Sir HENRY DRAYTON: No.

Mr. HARRIS: Reverse the situation, and hire them all in Toronto.

Sir HENRY THORNTON: We cannot control the Pullmans.

Mr. MACKINNON: In British Columbia they have an hotel, as well as in Alberta, Saskatchewan, Manitoba, Ontario, Quebec. But the Maritime Provinces have none. Of course I am not finding fault with the present management, but I would like to know whether Sir Henry would think it advisable to have the same treatment followed in the Maritime Provinces as has been given to the other Provinces.

Sir HENRY THORNTON: I would like very much to see one or more good hotels operated by the Canadian National Railways in the Maritime Provinces. I think it would be a highly productive field for tourist purposes, because the Maritimes are readily accessible to the large population which centres in the United States, and a number of American citizens come up each year for holiday purposes. I would be very glad to see that; furthermore there are many places in the Maritime Provinces which would offer peculiar advantages from a scenic and sporting point of view for hotels. The only thing that has prevented us thus far has been the difficulty of appropriating the necessary funds. In principle I am entirely in accord with what you have said. What we want particularly is tourist hotels, which I think would be productive of a good deal of business.

Mr. STORK: What do you think of the policy of assisting, not establishing hotels, to subscribe for bonds issued for the erection of hotels: do you think it would be advisable for the Canadian National to invest a limited amount in an enterprise of that kind?

Sir HENRY THORNTON: If we were going into that sort of thing, I would rather have the hotels under our own direction and control. There might be

[Sir Henry Thornton.]

an individual case here and there where something of that sort would be advantageous, but in the main I would rather have our own hotels if such an investment is justified.

Mr. STEWART: Would you advocate the building of hotels such as you already have?

Sir HENRY DRAYTON: No. We have to take into consideration that the cost of construction to-day is very much in excess of what it was when these so-called expensive hotels were built. I suppose the cost has gone up at least fifty per cent as compared with what it was before the war.

Mr. RINFRET: Your company is not interested in any hotel in the Province of Quebec?

Sir HENRY THORNTON: There is the Algonquin Hotel.

Major BELL: That is in Ontario. There was one, but it has been closed.

Mr. MILNE: Why do these hotels not pay; is it because they do not get enough travel, in other words, are the hotels working to their capacity?

Sir HENRY THORNTON: Some are and some are not. For instance, the Fort Garry, for the reasons I have pointed out, is not working to its capacity at all, nor is the MacDonald. Both of those are quite large hotels. Many of them are working to their capacity.

The CHAIRMAN: The business is not there?

Sir HENRY THORNTON: No, the business is not there.

The CHAIRMAN: If they were working to capacity, the business would pay?

Sir HENRY THORNTON: That might be a possibility; I could not answer that offhand.

Sir HENRY DRAYTON: Hotel people do not think the Fort Garry ever can pay, but that the MacDonald should?

Sir HENRY THORNTON: The Fort Garry was a particularly expensive hotel.

Sir HENRY DRAYTON: Speaking of hotels, what about the King Edward Hotel?

Sir HENRY THORNTON: I think some of the larger hotels in our larger cities, under private management, have not been entirely profitable.

Mr. RINFRET: The Chateau Laurier would not be very busy, outside the time of the session?

Sir HENRY THORNTON: The Chateau Laurier does pretty well. There are conditions in the Province of Ontario which limit to some extent the net revenues from hotels; whether they will be changed or not, we cannot tell.

Mr. RINFRET: Why don't you build in Quebec?

Sir HENRY THORNTON: You have asked that question and I will answer it. There is already in Quebec a very large and creditable hotel which is operated by the C.P.R. I think if we went into Quebec and built a hotel which would be consistent with the history of the company and the character of the traffic, we would only split the business with the C.P.R. and I should regard it as more or less a waste of money.

Mr. RINFRET: I mean the Province.

Sir HENRY THORNTON: In Montreal you have the Windsor, the Mount Royal and the Ritz Carlton, and I doubt very much whether, if we went into Montreal and built an hotel, it would be profitable.

Mr. RINFRET: I do not think it would.

Sir HENRY THORNTON: I doubt it. As a matter of fact it is very much better, if it can be done, to keep entirely out of the hotel business; in principle it is better to keep out of it.

[Sir Henry Thornton.]

The CHAIRMAN: You would not expect to be compensated by sufficient business to offset the loss?

Sir HENRY THORNTON: No, we would not.

Mr STEWART: Could the hotel situation be improved by co-operation between the two companies, in Winnipeg for instance?

Sir HENRY THORNTON: I do not think the situation in Winnipeg lends itself to any co-operation; they have their hotel and we have ours. I do not see how we could do it; it would mean the tearing up of either one or the other. I do not want that to be published in Winnipeg as an indication that anyone is going to close up an hotel, because there would be a riot right away in Winnipeg.

Mr. JELLIFF: How would it do to reduce the rates?

Sir HENRY THORNTON: I doubt if that would increase the business.

Mr. MILNE: Has it ever been tried?

Sir HENRY THORNTON: In a mild fashion we tried it at the Fort Garry. We ran to our capacity. The manager there hit upon the idea of getting young men to get rooms or to take rooms in the hotel and live there, but it was not a very fruitful experiment.

Mr. MILNE: There would be the travelling public coming off the trains; would they go to hotels that would be probably one dollar a day cheaper?

Sir HENRY THORNTON: As a general thing we charge the going rate for that class of accommodation, whatever it may be. We must remember that if we undertake to cut under that rate, we would excite the enmity of other hotels in the community that control a certain amount of traffic, and I question whether there would be anything in it. We do not charge any more at our hotels that one would expect to pay at any other hotel for that class of accommodation.

Mr. JELLIFF: You spoke of the English hotels. What about those?

Sir HENRY THORNTON: You have to take a good many things into consideration. You have to remember in the first place that the purchasing value of money in England is greater than here.

Sir HENRY DRAYTON: Not very much, according to my experience last summer at the hotels in London.

Sir HENRY THORNTON: If you go to the Ritz or the Savoy, or a really first-class hotel, in the last analysis you will pay about the same price, whether it is in New York, Paris, London, Berlin, or wherever it may be. You will pay about the same price everywhere. So that in answer to this question, when you boil it down, when you go to a first-class hotel in England, you will pay practically the equivalent of what you will pay in New York or any other large city.

Sir HENRY DRAYTON: Not quite, but very nearly?

Sir HENRY THORNTON: Of course if you live in London and know the ropes, there are a number of very nice smaller hotels you can go to, where you may not have to listen to a jazz orchestra, but where you can live very comfortably, for much less than you can at the top notch hotels.

The CHAIRMAN: We are getting away from Canada.

Sir HENRY THORNTON: I think we are.

Sir HENRY DRAYTON: That leaves the net change in the total operating income as between the year ending December 31st, 1924, and the year ending December 31st, 1923, of \$4,038,221.79?

Sir HENRY THORNTON: Is that the difference between revenue and expenses?

[Sir Henry Thornton.]

Sir HENRY DRAYTON: That is right is it not? This statement shows a total operating income of \$12,235,017.02 in 1924, as against \$16,273,238.81 in 1923; there is a drop in our total operating income of \$4,038,221.79?

Sir HENRY THORNTON: That is correct.

Sir HENRY DRAYTON: We make up \$2,929,354.33 in non-operating revenue?

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: It would be interesting for you to explain that.

Sir HENRY THORNTON: That is found in the increase or the decrease in the various items which make up non-operating revenue. Most of it is in miscellaneous income. You will note that there was an increase in item 519 Miscellaneous Income.

Sir HENRY DRAYTON: How was that brought about?

The CHAIRMAN: We are getting ahead of our story there, Sir Henry. You have jumped down to the bottom of the list.

Mr. RINFRET: Let us take them all in.

Sir HENRY DRAYTON: Take the first increase, Rent from Work Equipment; there is a substantial increase there.

The CHAIRMAN: I think we had better follow what we decided upon; Hire of Freight Cars, Credit Balance; there is no amount there. The next is Number 504, Rent for Locomotives.

Sir HENRY THORNTON: That shows a decrease of roughly \$267,000. This is due largely to the fact that in the 1923 account it included rentals on locomotives leased to the Grand Trunk Western Lines, but sold to the Grand Trunk Western Lines on January 1st, 1924. That is really a book-keeping entry entirely.

The CHAIRMAN: So that we need not bother about that. The next is Number 505, Rent From Passenger Train Cars, and 506, Rent from Floating Equipment.

Sir HENRY THORNTON: There is only \$83 in number 506.

Sir HENRY DRAYTON: The only one of importance is the one I have suggested. Who gave us those rents, where did they come from?

Sir HENRY THORNTON: There were increased rentals on account of certain cutoffs, \$130,000, rentals paid by the Wabash Railway \$8,000; increased rental paid by the Central Vermont Railway, \$6,000; increased rental Grand Trunk Western, \$36,000; increased rental Western Region, \$34,000. And increased rental from other lines, \$13,000, making a total of some \$217,000. On account of an error in 1923 in connection with the adjustments of certain accounts a further charge of \$70,000. That is merely an adjustment.

Sir HENRY DRAYTON: I take it that outside of the renting to contractors for your own work the rest are simply bookkeeping entries?

Sir HENRY THORNTON: That is right.

The CHAIRMAN: The next is Number 508, Joint facility Rent Income, \$994,988.58.

Sir HENRY THORNTON: Practically a difference of \$100,000. The Central Region accounts for the years 1922 and 1923 were included in the 1924 accounts. In 1923 the interest charged the C.P.R. on lands at Quebec was credited to this account, while in 1924 a similar account was credited to Account number 510.

The CHAIRMAN: Miscellaneous Rent Account?

Sir HENRY THORNTON: The next large item, \$321,000 of an increase. That would be in Miscellaneous Rent Income.

The CHAIRMAN: Are you through with the Joint Facility Rent Income?

[Sir Henry Thornton.]

Sir HENRY THORNTON: I don't know; I have to give my explanation.

The CHAIRMAN: The next is Number 509, Income from Lease of Roads, \$85,698.56.

Sir HENRY THORNTON: There is only \$7,000 of a difference there.

The CHAIRMAN: The next is Number 510, Miscellaneous Rent Income. Have you explained that?

Sir HENRY THORNTON: No. That is an increase of \$312,000 roughly.

Mr. STEWART: With reference to No. 509, have we any considerable mileage that is under lease?

Sir HENRY THORNTON: No, but we have certain items; the Wabash uses part of our line in Canada. Do you want to discuss the Miscellaneous Rent Income item No. 510? There was an adjustment of \$286,000, counting the adjustment of errors. We found certain errors in last year's account and adjusted them this year.

Sir HENRY DRAYTON: Did you get a larger net?

Sir HENRY THORNTON: We got a larger net, because we got an increase of \$321,000.

Sir HENRY DRAYTON: Does the rent of the hotel come in this item?

Sir HENRY THORNTON: No.

Sir HENRY DRAYTON: \$286,000 is the correction?

Sir HENRY THORNTON: Yes. There was an increase in some items of \$44,000.

Sir HENRY DRAYTON: Number 511, Miscellaneous Non-operating Physical Property; there is a large decrease there, over \$300,000.

Sir HENRY THORNTON: That is purely an accounting matter. Mr. Cooper can explain that decrease of \$328,000.

Mr. COOPER: The operations of the Canadian Northern Land Account; it went to Item Number 511. In 1924 we put in an approximate loss.

Sir HENRY DRAYTON: What do you mean by 511?

Mr. COOPER: It was credited to Number 511.

Sir HENRY DRAYTON: A transfer?

Mr. COOPER: A transfer. In one year it went into Income, and this year it went into Surplus Account.

Sir HENRY THORNTON: In 1923, the first year we had the account for the whole of the property, we had a considerable job to keep these various charges and credits properly allocated, but as we go on from year to year we may find something that is wrongly charged in one year, but not very many of them.

The CHAIRMAN: The next number is Number 512, Separately Operated Properties—Profit. There is an increase there of nearly \$200,000.

Sir HENRY THORNTON: That is entirely due to the Rainy River Coal Company, the Oshawa Railway, the Thousand Islands Railway, and about a dozen subsidiary companies in which we have an interest. It means that the operations of that year were more profitable in the aggregate than the operations of the previous year.

Sir HENRY DRAYTON: There is, as I recollect it, an expense item?

Sir HENRY THORNTON: Yes, that comes farther down.

Mr. STEWART: None of those are railway undertakings?

Sir HENRY THORNTON: They are all owned by the railway but not operated by the railway itself. For instance, take the Rainy River Coal Company, that is owned entirely by the railway but its accounts are separate, and it is

[Sir Henry Thornton.]

administered by a separate company under the general supervision of the proper officers of the company.

Sir HENRY DRAYTON: Have we a list of those subsidiary companies whose properties are so operated?

Sir HENRY THORNTON: Yes; I can give them all to you.

The CHAIRMAN: Do these profits not come in the form of dividends?

Sir HENRY THORNTON: On page 36 of this Annual Report of the Canadian National Railway System you will find a schedule of companies comprising the Canadian National Railway System. They are all there. To make it clear, the figure given of \$1,044,876.27 represents the total profit accruing to the Canadian National Railway System from these subsidiary companies. Is that clear?

Sir HENRY DRAYTON: I thought we had another item as to the expense of maintenance.

Sir HENRY THORNTON: No, there is no item of expenses. That represents profits which came to us from those companies, and we took it in as an asset.

Sir HENRY DRAYTON: Before we pass that, I would suggest that you look at Number 545, Separately Operated Properties—Loss.

Sir HENRY THORNTON: That represents the loss on companies in which there was a loss.

Sir HENRY DRAYTON: So that the net on separately operated properties would be the difference between that item and the one up above?

Sir HENRY THORNTON: In the last analysis, it has the same effect.

The CHAIRMAN: This means that you are making substantial profits on some, and losses on others.

Mr. STEWART: The point is, were these projects, railroad projects, or projects of another nature? I suppose some are electric lines?

Sir HENRY THORNTON: If you will look at page 36, you will see what they are. The great bulk of them are railways, although there are some other enterprises; for instance, there is the Montreal Warehousing Company, the Rainy River Coal Company and so forth, but I suppose 90 per cent of them are transportation in some way or another.

Mr. STEWART: The Canadian National Express Company comes in under that category?

Sir HENRY DRAYTON: You have your list of companies on page 36, including operated by railways. We want to get at which of these separately operated properties are operating.

Sir HENRY THORNTON: The Rainy River Coal Company, the Oshawa Railway—or would you rather I had this typed and handed to you afterwards?

Sir HENRY DRAYTON: Are they in such form that we can check them on the page as we go along?

Sir HENRY THORNTON: I can read them off if you like.

Sir HENRY DRAYTON: Mr. Brown points out something which will give Mr. Stewart the information he wants. If you will look at page 37, you will see which of the companies out of the whole list are separately operated properties. I think Mr. Stewart's information is not yet complete, until he knows the names and the profits as against those that are making a loss.

Sir HENRY THORNTON: That is what I started to give. I think I had better give you a typed list of those, and that will save time. We will give you also a list of the items that enter into the item below which indicate a loss.

Mr. JELLIFF: Does this represent a real profit on your investment in those companies?

[Sir Henry Thornton.]

Sir HENRY THORNTON: It includes all charges, interest and everything else.

Mr. JELLIFF: It is a real profit?

The CHAIRMAN: There are no fixed charges or anything like that to be charged against them afterwards?

Sir HENRY THORNTON: No.

The CHAIRMAN: Are we ready for the next item, 513, Dividend Income? I was wondering why that is put separately. Do not the profits shown in Number 512 come in the form of dividends?

Sir HENRY THORNTON: That decrease is on account of a special dividend which was paid by the Detroit Company in 1923, which was not paid this year. That is a property in which we only have a joint interest with two or three other railway companies.

The CHAIRMAN: The next is Number 514, Income from Funded Securities.

Sir HENRY THORNTON: The increase in this account is due to the increase in the interest in Dominion of Canada bonds held during 1924.

Sir HENRY DRAYTON: What is the explanation of that?

Sir HENRY THORNTON: It is the bonds held for the International Bridge Company. The International Bridge Company is setting aside certain income.

Sir HENRY DRAYTON: This really represents the reserves in one of your subsidiary companies for the purpose of replacing the bridge?

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: And your reserves are going up, increasing, and you hold those bonds in the meantime and get the income; that is the fact?

Sir HENRY THORNTON: Yes. So that it does not constitute in any sense a charge against the system at all. It simply constitutes a temporary investment which will disappear when you build the bridge.

Q. Is the whole of that represented by the investment?—A. That is the main item causing the increase.

Q. What else have you got in that?—A. There are two pages of it.

Sir HENRY THORNTON: That might speak for itself.

By Sir Henry Drayton:

Q. This comes to the end of your unfunded securities?—A. Funded security.

Q. It shows unfunded securities.

Sir HENRY THORNTON: That is the next item. The real change in the amount of funds was on account of the International Bridge, Reconstruction.

The CHAIRMAN: Item 515, Income from Unfunded securities and Accounts.

Mr. COOPER: That is increase of \$193,000 on bank balance. Increase, I think, on capital expenditures; increased interest on advance to Algoma Central Railway and the rest is small miscellaneous items.

By Sir Henry Drayton:

Q. I suppose the increase in the bank balance would result from the issue of the securities. You would not pay it out unless the equipment was supplied?—A. I think we have had more money on deposit.

Q. I am suggesting you would have a conflict at once. There is nine million in securities issued for the equipment and you sell the securities before you get the money and I think you get interest.

Sir HENRY THORNTON: That is it, I think.

Sir HENRY DRAYTON: That is the way the whole thing is.

Mr. COOPER: That is quite right.

[Sir Henry Thornton]

Sir HENRY DRAYTON: Then there is another item: Interest on Capital account, what is the explanation about that?

Mr. COOPER: That is the amount of interest chargeable to construction, as going into the construction account before the property becomes available for operation.

Sir HENRY DRAYTON: Let us see how that works out. How much have you that is due to capital in connection with the interest during construction?

Mr. COOPER: We have charged capital \$67,000.

Sir HENRY DRAYTON: You put it in here and debit capital?

Mr. COOPER: Debit capital and credit interest.

Sir HENRY DRAYTON: Debit capital and debit interest?

Mr. COOPER: Credit interest.

Sir HENRY DRAYTON: That would be a book-keeping entry?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: How much?

Mr. COOPER: \$67,000.

Sir HENRY DRAYTON: What new property is that \$67,000 allocated to?

Mr. COOPER: I have not a list; it is only the figure. We do not take less than \$100,000.

By Sir Henry Drayton:

Q. In the early stages was not that shown in the expenditures?—A. These are branch lines. There is no such charge against the branch lines.

Sir HENRY DRAYTON: What is the new work charged against?

Mr. COOPER: Well I do not know the figures of the expenditures during the year.

Sir HENRY DRAYTON: Perhaps we can get a statement later on.

The CHAIRMAN: Next item interest from Sinking and other Reserve funds.

Sir HENRY THORNTON: That increase is due to an additional \$1,800,000 having been deposited on account of equipment Trust E. & F., deposit with the Dominion and Provincial Governments had been adjusted in 1924 and also on account of additional $1\frac{1}{4}$ rate allowed by the Canadian Bank of Commerce, not being included in this account of 1923, \$47,000. Interest on deposits from sale of land, Fort William \$132,114 accrued makes up the increase.

Sir HENRY DRAYTON: Are these amounts book-keeping entries or do you enjoy these.

Mr. COOPER: That is cash.

Sir HENRY DRAYTON: Does the interest in connection with sinking fund go to the sinking fund?

Mr. COOPER: As a rule it is turned into the general fund.

Sir HENRY DRAYTON: Where it will be looked upon as going into the bank?

Mr. COOPER: Yes.

Sir HENRY THORNTON: We come down to miscellaneous income. I think we have had that explained already.

Sir HENRY DRAYTON: We stopped at that.

Sir HENRY THORNTON: Sir Henry had some question on that. You had better explain that, Mr. Cooper. You are more familiar with the things and dates.

Mr. COOPER: In 1923 bond issues, debit of \$1,350,000. We did not have any corresponding charge for that. So that to that extent the account is improved.

[Sir Henry Thornton.]

Sir HENRY DRAYTON: What is the reason of that debit?

Mr. COOPER: That was our adjustment with the United States Government. The amount shown is the exchange on Sterling and New York funds \$600,000.

Sir HENRY DRAYTON: Exchange on sterling and New York funds. I suppose you got quite a bit of that out of equipment?

Mr. COOPER: Well, I do not know.

Major BELL: It is a more favourable position as New York funds were not at a high rate. Sterling was lower in connection with the transfer of sterling.

Sir HENRY DRAYTON: New York money was used?

Mr. COOPER: Yes, New York money and sterling.

Sir HENRY DRAYTON: In that instance you got your money owing to the tension of sterling at the time?

Mr. COOPER: As I was saying, New York exchange a year ago, we were paying a higher premium for funds than at this time.

Sir HENRY DRAYTON: There was no exchange at all.

Mr. COOPER: Much lower.

The CHAIRMAN: Total non-operating income \$9,000,000, gross income \$21,000,000. The next item: Hire of freight cars.

Sir HENRY DRAYTON: There is one thing that can be observed and that is the fact of the increase in this Miscellaneous Income. The other receipt is to reduce the income, such as operating income of \$4,000,000 plus the loss of \$1,108,000.

Sir HENRY THORNTON: I might point out that in connection with these items we have been discussing we have reduced the decrease in income from about \$4,000,000 down to about \$1,100,000.

The CHAIRMAN: Item 536, Hire of Freight Cars—Debit Balance.

Sir HENRY DRAYTON: That requires no explanation.

The CHAIRMAN: Rent for Locomotives, Rent for Passenger Train Cars, Rent for Clothing Equipment, Joint Facility Rents—

Sir HENRY DRAYTON: How are you getting at that Joint Facility Rents? We have an increase and I do not see it here.

Mr. COOPER: That increase was only \$5,000.

Sir HENRY DRAYTON: That seems to indicate that there will be more new joint facilities?

Mr. COOPER: No.

Sir HENRY DRAYTON: This is a matter of adjustment of accounts?

Mr. COOPER: Yes.

The CHAIRMAN: Rent for leased roads.

Sir HENRY DRAYTON: There is quite an increase on that for lease of road?

Sir HENRY THORNTON: The increase is \$4,800,000 due to compensation paid to the T. & N. O. on their contract and \$32,174, less cancellation of rents accrued, \$30,000 due to replacement of the Inverness Railway from February 1st, 1924; \$25,000 a year, plus \$15,000 for ties; \$38,000 T. & N. O. agreement, etc., and the arrangement with the Grand Trunk Railway for the use of Nipissing Junction.

By Sir Henry Drayton:

Q. What about the Inverness Railway? When did you get that?—A. That we got, I think, last year.

[Sir Henry Thornton.]

Q. How did you get it?—A. We undertook to lease that railway for three, I think it was three years, or was it two, at an annual rental I think of \$25,000 a year. I knew the figures, but they have just slipped my memory.

Mr. COOPER: \$25,000.

Sir HENRY THORNTON: We rented that for a period of three years at an annual rental of \$25,000. The Board of Railway Commissioners agreed to try it for three years to see whether the coal operations, mining operations, and general traffic would make the road eventually profitable, or a profitable adjunct to the railway system.

Q. What was the last Act?—A. I cannot place that offhand. I expect we can get it.

Major BELL: You have the complete return.

Sir HENRY DRAYTON: Where is it?

Major BELL: The complete return was brought down—

Sir HENRY DRAYTON: Parliament came to the conclusion we should not be burdened with it and the loss we were having without getting some facts. What has been the experience in that line this last year?

Sir HENRY THORNTON: I think we had better bring in the figures. I do not remember the figures offhand. I will bring those later.

The CHAIRMAN: Miscellaneous Rents—543.

Sir HENRY THORNTON: That is a book-keeping charge. That is entirely an adjustment of charges.

The CHAIRMAN: 544—Miscellaneous Tax Accruals.

Sir HENRY THORNTON: That is entirely a book-keeping entry due to including in this account the 1923 taxes on the property in the Canadian Northern Land Department. The statement shows a loss amounting to \$511,000 for 1923, and in 1924 the figures include Profit and Loss amounting to \$622,000. That is entirely a book-keeping operation.

The CHAIRMAN: 545, Separately Operated Property Losses. We had that before.

Sir HENRY DRAYTON: Are they included in the losses?

Mr. COOPER: Yes.

The CHAIRMAN: Interest on Funded Debt.

Sir HENRY THORNTON: That is a long explanation. You had better explain that, Mr. Cooper.

Mr. COOPER: The increases on issues in 1923 and 1924 are as follows, \$1,621,000 on Trust "G", issued August, 1923.

Sir HENRY DRAYTON: What is Trust "G"?

Mr. COOPER: Equipment, Trust "G". 1923 was only a portion of the year. 1924 is a full year. Thirty-year Five Per Cent bonds issued 1924, increased to \$250,000.

Mr. STEWART (Humboldt): What was the total of the bonds?

Mr. COOPER: This second item?—Q. Yes.—A. \$50,000,000.

Sir HENRY THORNTON: Do you want to go through that item by item? There are a large number of items involved and it may take some time. We can do it if you like.

Sir HENRY DRAYTON: We can have another statement.

The CHAIRMAN: For the next time.

Sir HENRY THORNTON: Yes.

The CHAIRMAN: The same applies to the next item.

Sir HENRY DRAYTON: Yes.

[Sir Henry Thornton.]

The CHAIRMAN: 547—Interest on Unfunded Debt.

Sir HENRY DRAYTON: We have already had that item. Was not that going up?

Sir HENRY THORNTON: The Interest on Unfunded Debt, that is \$124,000 is due to adjustment in regard to the agreement with respect to the coal spur and interest on overdue taxes of the Province of Alberta, \$20,000; Interest on Personal Injury Reserve Account \$33,000; Interest on loss of Victory Bonds \$40,000.

Sir HENRY DRAYTON: When you were getting so much new money why were you running up more for Unfunded Debt?

Mr. COOPER: Well, the main increase to the Mountain Park Branch was \$124,000. That is not actual cash due. It is simply set up in our report in respect of the agreement with the coal company.

Sir HENRY DRAYTON: What is the agreement?

Mr. COOPER: The agreement was that the coal company would construct a branch and that they would maintain it and that we would rebate it at the rate, I think, of twenty cents a ton and we would give them interest on the unrefunded balance.

Q. To include interest on the unrefunded balance?

Mr. COOPER: Yes.

Major BELL: And the old agreement was revised.

Sir HENRY DRAYTON: That covers that liability?

Mr. COOPER: Yes.

Q. There is another thing you mentioned: Taxes and Interest and arrears of Taxes. Have you got many arrears of taxes?—A. To the Province of Alberta certain taxes were due, I think from 1924 and we paid them and we paid interest because we were in arrears.

Q. How much taxes have we got in arrears?

Sir HENRY THORNTON: That will be given in the statement.

Sir HENRY DRAYTON: Which statement?

Major BELL: The statement given earlier.

Sir HENRY DRAYTON: That is for the taxes.

The CHAIRMAN: 548—Amortization of Discount on Funded Debt.

Sir HENRY THORNTON: Explain that Mr. Cooper.

Mr. COOPER: That is levied back to income and is applicable to the discount on the bond issue.

Sir HENRY DRAYTON: That amount increases and you have more to look after. I suppose you do that on the usual annual basis.

Mr. COOPER: Yes.

Sir HENRY DRAYTON: Have you kept the statement up to date properly?

Mr. COOPER: Yes.

The CHAIRMAN: 551—

Sir HENRY DRAYTON: The increase is perfectly plain?

Mr. COOPER: Yes.

The CHAIRMAN: Miscellaneous Income Charges.

Sir HENRY THORNTON: Well there were \$26,000 of bad debts written off and there is a credit of \$91,000 due to increased exchange on United States Funds. The bad debts written off were chiefly with respect to companies that had gone into Receivership.

Sir HENRY DRAYTON: It is an unusually small item and I would not challenge that?

[Sir Henry Thornton.]

Sir HENRY THORNTON: It is an unusually small charge considering the amount involved in each year. That means the debt has increased about \$900,000. We had a gross income decrease of \$1,100,000 due to the operation of these items you have been discussing. About \$900,000 has been added making a difference in the total reduction from gross income \$2,000,000.

The CHAIRMAN: Any more questions?

Sir HENRY DRAYTON: Subject to what we are to get, I think that will do

The CHAIRMAN: It is nearly 1 o'clock. When do you desire to meet again?

Sir HENRY DRAYTON: It depends upon the collaboration of Mr. McMaster.

The CHAIRMAN: We were successful in getting together this morning. I do not know whether we can do that to-morrow. Is it the wish of the Committee to meet to-morrow?

Sir HENRY DRAYTON: Yes.

The CHAIRMAN: If the other Committee should find it necessary to meet to-morrow morning, do you desire to meet anyway?

Sir HENRY DRAYTON: It is quite possible they might not be able to put it off to-morrow. I think I would go on as if the Committee never met. We should not discuss the same business twice. If this Ocean Rates Committee is sitting it will be impossible for me to be in two places at the same time.

The CHAIRMAN: I do not suppose anybody expects that. That is the case of a good many other members.

Sir HENRY DRAYTON: It is a duplication of activities.

The CHAIRMAN: It is up to the Committee, whatever they say. If I find in collaboration with the Chairman of the other Committee we can have the Committees called at different times, we shall do that. If Mr. McMaster finds they must meet to-morrow morning, do you wish me to call a Committee Meeting?

Mr. STEWART (Humboldt): What work do you propose to take up?

The CHAIRMAN: I suppose the Railway Operating Expenses.

Mr. STEWART (Humboldt): You will not touch the Merchant Marine?

The CHAIRMAN: I do not think so. We have not got a statement yet. I do not suppose, so far as Sir Henry Drayton is concerned, it matters. He wants to be here. I want instructions as to whether a meeting will be called to-morrow and whether we can arrange to have it called at the same time.

Mr. STEWART (Humboldt): My impression is the other Committee will not sit to-morrow.

The CHAIRMAN: You must remember the Railway Officials are here. The other Committee meets at 4 o'clock to-day. They would like to meet again to-morrow morning.

Mr. STEWART: Could this Committee meet to-morrow afternoon?

The CHAIRMAN: We have no permission to do that. I do not know whether we could get it. We could only sit in the morning. I should think Mr. McMaster would be also sitting in the afternoon. In case they do sit, what do you expect me to do?

Mr. STORK: I move we meet to-morrow morning at 10 o'clock.

The CHAIRMAN: Moved by Mr. Stork and Seconded by Mr. Stewart that the Committee meet to-morrow at 11 o'clock.

(Carried).

Sir HENRY DRAYTON: Subject to your arrangement, as far as I am concerned, and I think so far as Mr. Stork and Mr. Rinfret are concerned, if the other

[Sir Henry Thornton.]

Committee insists on sitting to-morrow morning, I will take this motion as being cancelled. If the other Committee sits we will have to be downstairs.

The CHAIRMAN: It may be we may not have a quorum, which will be unfortunate, due to the fact that these gentlemen will not be here.

Sir HENRY DRAYTON: I think you will have difficulty in getting a quorum.

Mr. STEWART (Humboldt): Did Mr. McMaster intimate he wanted to-morrow morning?

The CHAIRMAN: He could not say. It depends upon the pleasure of his Committee.

Sir HENRY DRAYTON: It will be up to the other fellows to adjust the matter.

The CHAIRMAN: They have been meeting in the forenoon and afternoon and they have permission to sit during the sessions of the House. If you think it advisable to get permission we will try to do it.

Mr. STEWART (Humboldt): So far as we are concerned to-morrow morning is open. They have not spoken for to-morrow morning and we might as well put in our motion.

The Committee adjourned.

COMMITTEE ROOM 436,

HOUSE OF COMMONS,

FRIDAY, April 24, 1925.

The Select Standing Committee on National Railways and Shipping met at 11 o'clock a.m., Mr. W. D. Euler, the Chairman, presiding.

The CHAIRMAN: Gentlemen, we have a quorum. Yesterday, we completed our examination of the Income Statement on page 17. We will now proceed with the statement of operating revenues and expenses, beginning on page 18. We will proceed, as we did yesterday, item by item. The first heading is "Railway Operating Revenue", and the first item is "Freight, \$171,000,000." That is a large item that perhaps deserves some discussion.

Mr. KYTE: There is a decrease here of a considerable amount. Is that as noticeable on the American lines as on the Canadian lines?

Sir HENRY THORNTON: Well, broadly speaking, there was a decrease on both the American and Canadian lines, and it approximates, as you see, about seven per cent. There was not very much difference between the two. I am going to let Mr. Henry answer these questions in detail, if you do not mind.

Mr. HENRY: The decrease was general throughout the system and may be attributed to the general depression in business. I can give you the details of the decreases in certain regions.

Sir HENRY DRAYTON: I suppose it will be also fair to say that besides the general decreases you expect to have different fluctuations, having regard to different territories?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: For example, I would expect you sometimes to show—from my recollection of the earnings; and I think I am right—that you sometimes get a return on American lines which reflects to some extent the ability of the railroads at that particular time to secure freight?

Mr. HENRY: That has an influence to a certain extent.

Sir HENRY DRAYTON: And that influence applies, of course, only in that quarter, and when business is extremely good on the American lines, you naturally get more than you ordinarily would.

Mr. HENRY: Yes.

Sir HENRY THORNTON: Yes. There are other details we have to take into consideration also. For instance, let us suppose there should be a depression in the automobile trade. That would affect us considerably, perhaps more, relatively, than most companies, because we serve a very large automobile manufacturing district in Michigan.

Sir HENRY DRAYTON: You have the Lansing business practically to yourself?

Sir HENRY THORNTON: Yes, and Pontiac as well. Secondly, we do a very large—what you might call—a “purely American business”, in that we get traffic at Chicago destined for New York and New England points, that are hauled around this way, notably live stock, packing products, and so on. Again, if it happens, as it does sometimes that the Chicago gateway and the trunk lines east of Chicago are congested, we at once profit from that position, so that a good deal of our business—well, I would not say “a good deal”—

Sir HENRY DRAYTON: A material percentage?

Sir HENRY THORNTON: Yes, a material percentage is really United States business which comes around our way and represents a very lucrative and valuable traffic, which is well worth encouraging, and it is in the interest of the people in the United States that they, too, should have that additional outlet for their business, and it is a particularly valuable outlet for New England.

Sir HENRY DRAYTON: No doubt it is a great thing for their traffic, more particularly as they use ours when their own are congested.

The CHAIRMAN: Mr. Henry, could you give us an idea what degree of reduction was experienced because of the lower tonnage of grain in the West?

Mr. HENRY: Yes, I think on the western region there was an increase—

Sir HENRY DRAYTON: You have that on a page in this report.

The CHAIRMAN: Mr. Henry will give it to us.

Mr. HENRY: There was a decrease in grain to the Lake Head amounting to \$3,243,000, which was offset to a certain extent by an increase via Vancouver of \$1,317,000.

The CHAIRMAN: What net percentage of decrease would that represent?

Mr. HENRY: Taking the western region as a whole, the decrease was 3.2 per cent.

Sir HENRY DRAYTON: That is on grain, you mean?

Mr. HENRY: On everything.

The CHAIRMAN: Farm products largely, grain and stock.

Mr. MACKINNON: Would a reduced freight rate increase the result?

Mr. HENRY: Increase the volume of traffic?

Mr. MACKINNON: The money result?

Mr. HENRY: Well, it affects it, of course, to a certain extent.

Sir HENRY THORNTON: Decreases? How do you mean?

Mr. MACKINNON: No, increases.

Sir HENRY THORNTON: Would decreased freight rates increase our gross earnings?

Mr. MACKINNON: Yes.

Sir HENRY THORNTON: Not by several jugs full.

The CHAIRMAN: Were you affected to any extent by the interpretation of the Crowsnest Agreement, allowing it to come into force, and then allowing it to lapse?

Sir HENRY THORNTON: I do not know—

The CHAIRMAN: It would have some effect.

Mr. HENRY: Yes.

The CHAIRMAN: Prejudicial or otherwise?

Mr. HENRY: Well, I do not know—

Mr. STEWART (Humboldt): It did not have any effect on the grain.

Mr. HENRY: No, not the slightest.

Sir HENRY DRAYTON: I think that we all agree that anything that promotes uncertainty in rates always has a bad effect on business—naturally.

Mr. RINFRET: Did the C.N.R. have to reduce their freight rates on account of that agreement, when it came into force?

Mr. HENRY: It had to reduce it.

The CHAIRMAN: To meet the C.P.R.

Mr. HENRY: To meet the C.P.R.

Mr. RINFRET: Did that mean a large loss on the freight?

Mr. HENRY: Well, it was limited only to a certain few points in the east.

Sir HENRY DRAYTON: Is that quite right, Mr. Henry? Do you not think your answer really should be that it was limited as to time, owing to the change that was made, but if it had run along, as in the larger part of the east where you get your tonnage, it would have affected us, because of these competitive points with the C.P.R.?

Mr. HENRY: I would not like to say what effect it had.

Sir HENRY DRAYTON: I think it is perfectly obvious that if you take all of this territory from here west, through Ontario, you will find a competitive situation.

Sir HENRY THORNTON: It is competitive, and wherever one railway company introduces a lower rate, for whatever the reason may be, we have got to do one of two things, either meet the rate or surrender the business.

The CHAIRMAN: Can you cut the rate without filing the tariff, and having it subject to the Railway Board?

Sir HENRY THORNTON: You have to follow legal procedure in bringing either increases or decreases into effect, but when it comes to reducing rates, it is a relatively simple proposition.

The CHAIRMAN: As compared to increasing?

Sir HENRY THORNTON: There is usually less opposition.

Sir HENRY DRAYTON: I think that statement may be taken as correct.

Sir HENRY THORNTON: It goes on the principle that it is more blessed to give than to receive.

Mr. JELLIFF: Your largest loss of tonnage last year was in other things than farm products?

Sir HENRY THORNTON: Of course, it is all set down.

Mr. JELLIFF: I have it here, and can give it to you if you like. It is on page 33. You have several classifications. In the first classifications, known as "Products of Agriculture" you show an increased tonnage of 129,469, when you sum it up; in the second class you show a loss of 93,765 tons; in the third class—and that is the one I want to call your attention to—you show a loss of 2,688,633 tons; that is "Product of Mines" and the "Forests" you show a loss of 696,960 tons.

Sir HENRY DRAYTON: These are net losses.

Mr. JELLIFF: Yes, net losses, and in your classifications you show another big loss of 1,399,805 tons, so the loss is predominant in other things than in the products of the farms.

Sir HENRY THORNTON: Yes, of course, that is quite true. In estimating, however, the effect of the losses of tonnage you have also got to consider the rate

on different classes of tonnage, and the degree to which one tonnage may be more lucrative than the other. That is to say it is not tonnage, in the last analysis, that one wants particularly. Tonnage is only valuable insofar as you are able to translate that into net earnings. You might suffer a reduction in one class of tonnage—a very heavy reduction—and a slight increase in another class of tonnage, and be better off. Increased tonnage does not mean anything excepting insofar as you are, in the last analysis, able to translate it into net earnings.

Mr. JELLIFF: Of course, the statement was given out that your rate is too low on grain. If that is the case, the less grain you carry the less you lose.

Sir HENRY THORNTON: It depends on what you mean by "too low". I would not describe it that way myself. I should say that the present rate on grain—and I am only now speaking from the point of view of the railway—is too low in the point of view that there is not very much money in it.

Mr. JELLIFF: But it is the bulk of the grain that swells your earnings?

Sir HENRY THORNTON: Yes, that is true.

The CHAIRMAN: Would this be true, Sir Henry, that your earnings are decreased by reason of the fact that you are carrying a much larger proportion of grain by Vancouver than formerly?

Sir HENRY THORNTON: No, Mr. Chairman, I would not say that at all.

The CHAIRMAN: Can you earn as much by carrying grain to Vancouver as to the head of the Lakes, a longer distance?

Sir HENRY THORNTON: Yes. It is a shorter distance, as a matter of fact. We haul it a longer distance to the head of the Lakes, and that costs more. I have never quarrelled at all about the export of grain through Vancouver; you have not had any kicks from me about that.

Sir HENRY DRAYTON: It is coming up very well?

Sir HENRY THORNTON: The figures speak for themselves. It is increasing by leaps and bounds. I have always said that it was a traffic which should be developed, and that is why I think a large part of it will go west to Vancouver and not to the head of the Lakes.

Sir HENRY DRAYTON: I always thought there was a dividing line somewhere out there; about Maple Creek, is it not?

Mr. STEWART (Humboldt): I think it is north of that.

Sir HENRY DRAYTON: Maple Creek is where; in Saskatchewan, is it not?

Mr. STEWART (Humboldt): Yes.

The CHAIRMAN: The longer the distance you carry freight, the more money you make out of it?

Sir HENRY THORNTON: No. You have to take into consideration the grades as well as the rates.

Sir HENRY DRAYTON: There is a popular misconception as to that, Mr. Chairman; it is partially correct, and partially not true. Take a rate; it is perfectly true that the whole of the money earning power of that rate is expressed in its mileage, and to the extent you prolong that mileage, to that extent do you the more effectively absorb your terminal costs; for example, if you have a terminal cost of 25 per cent of the through rate for a 100-mile haul, those costs do not increase with a 200 mile haul, and that expense of 25 per cent drops down to 12½ per cent. You will follow that quite easily, I am sure. That is the basis of what you call a stepping down or pro rata. It is true also that if you have a very low basic line and carry that stepping down far enough you will get to a point where there are no returns at all. That is the qualification Sir Henry Thornton means.

The CHAIRMAN: To the layman, it would appear like that; that is, if you are making money on carrying freight 500 miles, you will make more by carrying it 1,000 miles.

Sir HENRY THORNTON: By adjusting the rate accordingly.

The CHAIRMAN: It is a technicality, I suppose.

Sir HENRY DRAYTON: No, it is not a technicality. I will be glad to take it up with you afterwards.

Sir HENRY THORNTON: You cannot haul freight for 1,000 miles at the same proportionate rate for 500 miles and make any money on it. It depends upon how the rate per ton mile works out in connection with the distance.

The CHAIRMAN: At any rate, you are quite content to do business carrying freight to Vancouver as compared with carrying it to the head of the lakes?

Sir HENRY THORNTON: Quite so.

Sir HENRY DRAYTON: I think it is pretty clearly established, under the present rate schedule, that as soon as the producers and the railways wake up to the situation, it will pay the wheat producers in Alberta and in Saskatchewan, as far east at any rate as Maple Creek, to send their grain via Vancouver.

The CHAIRMAN: That is perfectly clear, I think.

Sir HENRY DRAYTON: And that the rates as far east as Maple Creek are such that it would pay to send wheat to Liverpool, where we all break, on the existing scale of rates, and on the National Railways, as far east as Battleford. That is an enormous territory.

Sir HENRY THORNTON: That can only be possible by reason of our favourable Mountain grades. Those grades are a large factor in it.

Sir HENRY DRAYTON: That is true; no doubt the line to Vancouver through the Yellowhead Pass is a splendid asset; it is the best thing we have.

The question you brought up, Mr. Chairman, is really covered by the remarks of the President in his Traffic Movement, where he points out that the average haul per ton of revenue freight declined from 323.96 miles to 322.53, and that the rate per ton per mile increased slightly.

There were no rate changes in an upward direction; the rate changes that took place in the year, as is shown later on, were all downward. The reason you have a shorter mileage is that you have a less movement of grain in western territory, and secondly that the Grain Rates, being the lower rates, the less we carry, the higher the general return would be.

The CHAIRMAN: By carrying grain to Vancouver, both the shippers and the National Railways will benefit?

Sir HENRY THORNTON: Yes. Mr. Dalrymple is here; he knows more than any of us about these things, I think, and he will be able to answer any questions you may wish to ask.

Mr. JELLIFF: I wish to call attention to the classifications, because in the first part of our report here it is stated that the loss in earnings last year was due principally to wheat; anyway, you say that the loss was greatest in tonnage in other classifications.

The CHAIRMAN: You think there is a little inconsistency, Mr. Jelliff?

Sir HENRY THORNTON: Let us see if we did say that.

Sir HENRY DRAYTON: You will find it on page 6.

Mr. JELLIFF: On the fifth line, I think it is, under the head of Gross Earnings.

The CHAIRMAN: "Due principally to the relatively small grain crop in Western Canada, the movement of grain to the Lake Head was in much less volume than usual."

Mr. JELLIFF: The only short grain was wheat, and that was very little.

The CHAIRMAN: "—and was considerably below the exceptionally heavy movement which took place in the last three months of 1923, with the result that the impetus to active business which a large grain movement usually engenders was noticeably lacking." Is that what you were thinking of, Mr. Jelliff?

Mr. JELLIFF: Yes, Mr. Chairman.

Sir HENRY THORNTON: Will you explain that, Mr. Dalrymple?

The CHAIRMAN: Mr. Jelliff thinks that that does not quite agree with the statistics given on page 33.

Mr. DALRYMPLE: The facts are, Mr. Chairman, that last year the crop in Western Canada was very much smaller than the crop of the previous year. The heavier crop was reflected in the tonnage moved the first portion of the year 1924, but after that was over in the early spring months, the water rates got so low that the bulk of the business of grain moved entirely by water to Montreal, and for the first time in my recollection we handled no grain whatever for a period of nearly three months from the Bay Ports to Montreal for export.

The variation (if there is a variation) appertained somewhat to the fact that we overcome some portion of the decrease on Canadian grain by an increase in the American product handled during the period of 12 months, but I do not recall just at the moment what the figures were appertaining to wheat, although there were some wheat shipments.

The CHAIRMAN: Is that satisfactory, Mr. Jelliff?

Mr. JELLIFF: I did not catch quite all of it, but I will get it in the record later on.

Sir HENRY DRAYTON: There is one thing I do not think is quite right; I think a mistake has been made in the figures I have been looking at. When you speak of the movement, I am going back to the wheat movement; the movement was there, but some incident or condition affected the crop. It is stated under the head of Gross Earnings that:—

"The movement was also to some extent affected by the disposition shown to hold grain in the country creating an unusual condition and one which business in general had not anticipated."

Mr. DALRYMPLE: That is quite right, Sir Henry. You will remember that in November, 1924, they established some new coaling arrangement for coal in Western Canada, which held back some movements which would have moved more freely.

Sir HENRY DRAYTON: We have more left in the country this year than in other years?

Mr. DALRYMPLE: Less crop to work with.

Sir HENRY DRAYTON: But there is less reserve, so that we may look forward to a heavy movement from the 1924 crop, because the grain was held back in the country.

Mr. STEWART (Humboldt): I think the actual facts were that the grain did not go forward in a peak, as it did in times past, probably October for the peak, and then gradually running down to the end of the year. It came in a fairly regular stream until the end of the year; the statement that the reserves were held is not strictly correct, because what Sir Henry points out is true, that we have not much surplus grain on hand in Western Canada. On that point, I would like to ask if it is not to the advantage of the railroad, from an earning standpoint, that the grain should not come forward in an inverted pyramid, but that it should come in in as regular a flow as possible?

Mr. DALRYMPLE: I would say yes, provided it is not held over until we have severe weather conditions.

Mr. JELLIFF: It would not require so much reserve car capacity?

Mr. DALRYMPLE: Quite so.

Mr. STEWART (Humboldt): We were speaking yesterday of the cost, I think, one of the factors which enter into the actual cost of hauling grain, that is, the accumulation of empties to take care of that trade, would not this matter we have just spoken of affect that so long as the pool system is used in handling grain; a large number or an excessive number of empties are required at one time; would that not also tend to lessen the cost as increased by the necessity of an accumulation of cars for one particular month?

Mr. DALRYMPLE: If we could be assured of the time the pool or the shipper wished to send forward the business we could regulate our cars accordingly; we might work out a scheme whereby we would not have to hold so many empty cars in anticipation of a crop movement. But we have to be ready to move the crop when it is offered to us, or be up against the question of non-car supply.

Mr. STEWART (Humboldt): You have had assurances in the past by reason of the fact that it has come in that way for a number of years past?

Mr. DALRYMPLE: Quite so.

Mr. STEWART (Humboldt): And if you found your grain moved by the new method in a reasonably steady flow, you would prefer to change your system to a lower cost basis accordingly?

Mr. DALRYMPLE: I think there might be a possibility in that direction, although we must make certain provisions in that respect anyway.

Sir HENRY DRAYTON: Otherwise the railway would have to regulate itself to market conditions. While we are on the point Mr. Stewart has brought up, how many cars did you have to fleet last year for the crop?

Mr. DALRYMPLE: My recollection is that it was about 40,000.

Sir HENRY DRAYTON: To what division would you assign the charge of the assembling and delivering of those cars to the western district, at Fort William?

Mr. DALRYMPLE: Subject to correction, my recollection is that each region takes care of the costs of moving the cars over its own respective region.

Sir HENRY DRAYTON: What percentage of the grain crop of either year, if it would not be the same for both—what percentage of the grain crop for the eastern market stopped at Fort William and took the water here, and what percentage went all rail?

Mr. DALRYMPLE: My recollection is that there was very little all rail. I have not figured out a percentage, but it was not large.

Sir HENRY DRAYTON: Have you ever done it?

Mr. DALRYMPLE: I did not do it last year. We rather expected a heavy rail movement last year, but it did not materialize except for some local movements for the Soviet flour contract, or what afterwards turned into a contract.

Mr. STEWART (Humboldt): Have you any figures available as to the percentage of empties that come from the different regions?

Mr. DALRYMPLE: We could figure that out; I have not got it with me. There always is a large number of empty box cars from what we call our central region to the Western Region, in anticipation of the crop movement, because prior to harvest the cars are brought east, and we utilize them on the grain trade during the summer time from the Bay Ports to Montreal and on general merchandise; so that in anticipation of the crop movement we start the flow of cars west from the latter part of July or the first of August.

Mr. STEWART (Humboldt): Just as a matter of information, how do those cars find their way back to the other regions; do they come back to meet the requirements of another season or of another traffic?

Mr. DALRYMPLE: A large number come back as empties. The preponderating movement is eastbound.

Sir HENRY DRAYTON: They come back as empties from Fort William; they come back to the producing centres in Eastern Ontario.

Mr. STEWART (Humboldt): That involves a considerable expense both ways?

Mr. DALRYMPLE: A very large expense in regard to the westbound movement of empty cars.

Sir HENRY DRAYTON: Just to follow that up, how has the Vancouver route trade compared with the eastern trade in that respect, with regard to empties?

Mr. DALRYMPLE: It has upset the previous record, or the history of rail-roading, in that we now have the eastbound movement, whereas previously we had the westbound movement, of empty cars.

Sir HENRY DRAYTON: Are you going to have this expense of bringing back empties from Vancouver, the same expenses as you have from Fort William to the Eastern Region?

Mr. DALRYMPLE: Not to the same extent, provided the lumber business continues.

Mr. RINFRET: What is the proportionate freight rate going west to Vancouver and coming east, per mile of road, for instance?

Mr. DALRYMPLE: I cannot give it to you quite in that way, but generally speaking the rate per mile on grain to Vancouver is a trifle higher than the rate per mile to Fort William, particularly on the longer distances.

Mr. RINFRET: Would you say only a trifle?

Mr. DALRYMPLE: Yes, only a trifle. The rates are all very low.

Mr. RINFRET: Give us the percentage.

Mr. DALRYMPLE: I could figure it out, but the rates are all very low.

Sir HENRY DRAYTON: What we are interested in is, to see that the cost to the farmer on which his prices are based (the prices are fixed at Liverpool)—I am speaking from recollection, but on existing rates, as I recollect it, and I want you to correct me if I am wrong, would on that basis of Liverpool split at Maple Creek, in Saskatchewan. I may be wrong about Maple Creek. That would of course give an immense territory for Vancouver. I should think. What percentage would that be of the crop?

Mr. STEWART (Humboldt): In Saskatchewan, possibly one-quarter of the crop.

Sir HENRY DRAYTON: The whole of the Alberta crop and one-third of Saskatchewan.

Mr. STEWART (Humboldt): Not one-third even. Possibly one-quarter.

The CHAIRMAN: How far east do you bring these empties from Vancouver, store them and bring them east, to what place?

Mr. DALRYMPLE: We would bring them east, as far I should say as Saskatoon, for grain movement.

The CHAIRMAN: Would it be possible to take advantage of that situation of having empties in the west that you have to transport east, in the transportation possibly of Alberta coal to Eastern Canada; would that be at all possible?

Mr. DALRYMPLE: All the eastbound movement of empty cars would probably be dropped off at the coal mines or at some junction point for coal loading. The trouble would be that you have your westbound movement of empties, of

cars that had brought the Alberta coal down. In answer to Sir Henry Drayton's inquiry, you will understand that the water rates on grain from Vancouver are a fluctuating quantity from time to time. Generally speaking the territory you have in mind is about right so far as breaking of rates is concerned.

Q. You can only talk of that portion?—A. Yes.

Q. Eastern rate changes?—A. Not quite so much as the Western. The fluctuation has not been so radical as on the Pacific.

Q. We have had it as far East as Saskatoon?—A. On the other hand I do not think the farmer cuts any figure on the rate because everything is sold at Winnipeg or Vancouver prices.

Q. That is a matter of marketing?—A. Nevertheless it is what the farmer gets for the grain.

Q. It depends on the market?—A. Yes.

By Mr. Jelliff:

Q. Getting some premium for cash?—A. Yes.

Q. It will only be a matter of time till we have better market conditions?—A. Yes, that is being agitated.

Q. That is the reason I presume grain moves East?—A. I think that is a factor.

Q. How much of your earnings is affected by reason of the coal strike, the long strike in Alberta and the difficulties in the East?—A. During the summer months when we are able to move commodities and handle business on a most economical basis it very seriously affected us. Later on when the strike was over we had both coal and grain to handle at the same time.

Q. You did lose some?—A. Yes.

Mr. STEWART (Humboldt): Mr. Chairman, if we are through with that particular phase there is another matter I would like to get some information on. At the present time from the effect we are giving the interpretation of the Crowsnest Pass agreement there is a discrimination in rates. I wonder what that means in the way of revenue to the Canadian National. These figures will have a double value, when we can see how much it would mean to the Canadian National to equalize these rates, and can also tell how much the people who happen to be marketing at these points where discrimination exists, pay—that is information in respect to what the cost would be on a fair basis.

The CHAIRMAN: What is your exact question?

By Mr. Stewart (Humboldt):

Q. What does that mean? Mr. Dalrymple knows what I am referring to. He knows the Canadian Pacific were not getting the rates when the Crowsnest came into existence and the Canadian National are following that. They are the only competing line. My question is, what does that mean in the way of revenue?—A. The rates on the Crowsnest have been restored. You are speaking of grain.

Q. We are talking of business other than grain. We were through with this grain matter?—A. I have calculated that on a full restoration of the Crowsnest Pass rates in the same way as it existed prior to the Privy Council Order and it would mean a loss of revenue to the Canadian National Railways of over three-quarters of a million dollars net per annum on the year 1923 business.

Q. On the year 1923 basis?—A. Yes.

By Sir Henry Drayton:

Q. Just to follow that up. You arrived at that net on what average ratio?—A. I figured about 80 per cent.

Q. Take the previous ratio, it would be a different story?—A. It would be worse than that.

Q. If you take it on an average ratio of 80 per cent that would mean a gross falling off of revenue of \$5,700,000?—A. Yes.

By the Chairman:

Q. Your net loss would be about three-quarters of a million?—A. Yes.

Sir HENRY DRAYTON: That is figured at 80 per cent which Mr. Dalrymple admits is hypothetical.

The CHAIRMAN: Does that answer your question, Mr. Stewart?

Mr. STEWART (Humboldt): That is an answer to it.

Sir HENRY DRAYTON: There is a further thing that grows out of Mr. Stewart's question, which I think he ought to get. We have dropped grain now and we are now speaking of other commodities entirely. He is interested in the Western territory and it seems to me it would be useful to know the tonnage originating in Western territory which would be affected apart from grain.

Mr. DALRYMPLE: I have not got the figures with me, Sir Henry, but they are available.

The CHAIRMAN: Is there any more discussion on that item? The next is 102.

Mr. STEWART (Humboldt): Mr. Dalrymple says he has not the figures.

Mr. DALRYMPLE: I have not got them with me, they are available.

Mr. STEWART (Humboldt): You will bring them to us?

Mr. DALRYMPLE: If you desire.

The CHAIRMAN: The next item Passenger Revenue \$37,233,998.44, being a reduction of about \$2,050,000. I suppose for the same reason as the Freight reductions to some extent—depression.

Mr. DALRYMPLE: Yes, depression was considerable and with the increased competition of motor cars and busses.

The CHAIRMAN: Would you say that is increasing from year to year?

Mr. DALRYMPLE: Yes, very decidedly so.

Mr. RINFRET: Would that apply in the West?

Mr. DALRYMPLE: Yes.

Mr. RINFRET: On long distance hauls?

Mr. DALRYMPLE: Yes, I have been advised that they have put on a new line from Portage la Prairie to Winnipeg.

Sir HENRY DRAYTON: What are your suggestions about that?

Mr. DALRYMPLE: I think the motor busses should pay for the use of the highways, contributing towards the maintenance of them.

The CHAIRMAN: With the idea of stopping them so the railway would get the benefit?

Mr. DALRYMPLE: With the idea that somebody else would not have to maintain them for their benefit.

The CHAIRMAN: That is not part of the railway's business yet.

Mr. DALRYMPLE: It may be before long, we are getting there.

Sir HENRY DRAYTON: It may have to be.

Mr. DALRYMPLE: Yes.

The CHAIRMAN: Perhaps the railways may find it necessary to go into that business just for their own protection.

Sir HENRY DRAYTON: The railway company looks after the roads and if the railway companies are to look after them then it will put the national investment out of business.

The CHAIRMAN: That is a minor consideration.

Mr. RINFRET: That would be competition against their own investment if they run busses.

Mr. DALRYMPLE: We are around to the point now where we are really experimenting with motor cars on our own railway and replacing steam cars. We have arrived at that situation.

Mr. DRUMMOND: Are there any places where you have adopted that?

Mr. DALRYMPLE: Yes.

Mr. DRUMMOND: It is still in the experimental stage. As compared with steam as far as it has gone, how does the operation compare?

Mr. DALRYMPLE: Very much less than operation by steam

Mr. MILNE: Where are you operating these cars now?

The CHAIRMAN: Is the list very long?

Mr. HENRY: Not very long. I find I have not got a list of the roads they are on.

Mr. DALRYMPLE: How many cars have you got?

Mr. HENRY: Twenty-four.

Mr. DALRYMPLE: We are operating twenty-four cars in various sections of the territory.

The CHAIRMAN: Are they in Ontario or the Western provinces?

Mr. DALRYMPLE: All over the system, one on Vancouver Island, some in Ontario and some in the Maritime provinces and some in the Province of Quebec—one in Manitoba.

The CHAIRMAN: Do you operate them in addition to the steam service or by eliminating the steam service?

Mr. DALRYMPLE: In some instances in addition to the steam service. In most instances by replacing the steam service.

Mr. JELLIFF: What help to the passenger traffic has the radio been?

Mr. DALRYMPLE: The radio has been a novel device for making known the National Railways throughout Canada and has been of material assistance in respect to passenger service.

Sir HENRY DRAYTON: How many cars did you put on with that for passengers?

Mr. DALRYMPLE: The Transcontinental trains from Montreal to Vancouver and Toronto to Vancouver, on the observation car on each train.

Sir HENRY DRAYTON: What does it cost, the attachment per car, and the maintenance?

Mr. DALRYMPLE: I have not the figures, Sir Henry. The principal maintenance is the operating. We have to have a special man for that.

Sir HENRY THORNTON: If you wish to go into details pertaining to the radio we have a man who can deal with it better than Mr. Dalrymple or myself.

The CHAIRMAN: Who will he be?

Sir HENRY THORNTON: Mr. Robb, probably supported by an expert.

The CHAIRMAN: Mr. Dalrymple, could you give us any idea as to the relative profit or loss producing effects of the freight business as compared to the passenger business?

Mr. DALRYMPLE: The profit, if any, is largely due to the transportation of freight and it is pretty hard sometimes to figure any profit at all on the handling of passenger trains.

The CHAIRMAN: As a general thing the passenger carrying business is done at a loss, generally speaking?

Mr. DALRYMPLE: I would not say that exactly. It is hard to figure out much, if any, profit. It is a necessary adjunct to transportation.

Mr. DRUMMOND: Have the railways ever considered having the old practice of excursion rates again?

Mr. DALRYMPLE: Yes.

Mr. DRUMMOND: What is the result?

Mr. DALRYMPLE: We think nothing would be gained by going back to the old basis.

Mr. RINFRET: Or return fares?

Mr. DALRYMPLE: We have return fares, based on a fare and a third.

Mr. JELLIFF: Figured on the basis of population?

Mr. DALRYMPLE: Our problem is this: we have a very low relative basis on commercial travellers' tickets, and if we used excursions we would lose the benefit of the commercial traveller, as he would make arrangements to utilize the return excursion train, and in the last analysis we would make no revenue by excursions.

The CHAIRMAN: You still issue commutation rates to people?

Mr. DALRYMPLE: In limited territory.

The CHAIRMAN: Do you figure that is profitable?

Mr. DALRYMPLE: I should have to refresh my memory. We have school tickets. I do not think we have much, if anything, of that kind.

The CHAIRMAN: Does the fact of educating the public enter into your reasons?

Mr. DALRYMPLE: Sympathetically.

The CHAIRMAN: It is not a matter of business.

Mr. DALRYMPLE: No.

Mr. JELLIFF: How do the passenger earnings on your American lines compare with this side?

Mr. DALRYMPLE: The average earnings on the American lines are somewhat higher as the basis of rates in the United States, notwithstanding the very dense population as compared with our sparse population in Canada is higher than in Canada.

Mr. STEWART (Humboldt): How much higher?

Mr. DALRYMPLE: The standard fare in the United States is 3.6 and in Canada 3.45.

Mr. RINFRET: Is that first-class?

Mr. DALRYMPLE: First-class.

The CHAIRMAN: We have no more than two classes?

Mr. DALRYMPLE: Yes, we have second and third.

The CHAIRMAN: Where is that?

Mr. DALRYMPLE: Toronto and Montreal third.

The CHAIRMAN: Out of Toronto?

Mr. DALRYMPLE: Yes, out of Toronto and Montreal.

The CHAIRMAN: I have never heard of it.

Sir HENRY DRAYTON: There is an old statute binding the Grand Trunk which compels them to look after third-class accommodation.

The CHAIRMAN: Are there any other questions? 103. Excess Baggage, \$255,433.14.

Mr. DALRYMPLE: That is deflected in or mostly bearing on passenger business.

The CHAIRMAN: Sleeping car—\$1,793,096.14.

Mr. DALRYMPLE: That shows an increase and is the result of long haulage and decrease in passenger business for shorter haulage.

The CHAIRMAN: What part of the sleeping equipment is supplied by yourself and what by the Pullman Company?

Mr. DALRYMPLE: The larger portion by the National Railways. The Pullman only supply the Grand Trunk old line, plus whatever assistance we can get from the Pullman Company for emergency equipment.

The CHAIRMAN: Can you give the number of cars?

Mr. DALRYMPLE: They are available.

Mr. RINFRET: Is that the line to Chicago?

Mr. DALRYMPLE: Yes, generally speaking. We use our own cars between Canadian points.

Mr. RINFRET: Where do you get your own sleeping cars? Are they made in your own shop?

Mr. DALRYMPLE: No, sir, purchased from Canadian manufacturers.

Mr. MILNE: Is the sleeping car business on a profitable basis?

Mr. DALRYMPLE: Yes.

Mr. MILNE: Can you support that?

Mr. DALRYMPLE: Last year, as I recall it, we more than paid our expenses, but that does not include any interest on investment.

Mr. STEWART (Humboldt): What is the cost of one of your own sleeping cars?

Mr. DALRYMPLE: Fifty or sixty thousand dollars a piece I should say.

Sir HENRY DRAYTON: I think it is a little lower than that.

Mr. VAUGHAN: It runs from forty thousand dollars to forty-five thousand dollars.

Mr. STEWART (Humboldt): Were not these given last year?

Mr. DALRYMPLE: Not that I know of.

The CHAIRMAN: Could you say whether that end of the business is a profit or otherwise?

Mr. DALRYMPLE: As I said the figures show that we more than paid our expenses of operation. That does not include interest on investment.

The CHAIRMAN: It is not a real profit?

Mr. DALRYMPLE: No, it is a necessary adjunct to your business.

Mr. RINFRET: What proportion do you get from the Pullman Company?

Mr. DALRYMPLE: As to numbers—

Mr. RINFRET: Numbers of cars—as to fares?

Mr. DALRYMPLE: The Pullman Company get the fare which they collect for the use of the sleeping accommodation of their cars.

Mr. RINFRET: You mean the full fare?

Mr. DALRYMPLE: Yes, the full fare.

The CHAIRMAN: What the passenger pays for the berth?

Mr. DALRYMPLE: For the berth

Mr. RINFRET: Is that all the company gets?

The CHAIRMAN: It depends how it works?

Mr. DALRYMPLE: Under the arrangement with the Pullman Company, in the event of the earnings per car per annum being in excess of a certain figure the railway participates—in fifty-two per cent of the excess.

The CHAIRMAN: Does it ever get anything? What I wanted to know was it more profitable to the Pullman or for you operating your own cars? A.—It is more profitable to have the arrangement that now exists, as I see it, namely for the Canadian National Railways to furnish a considerable portion of the equipment, and to also have an agreement with the Pullman Company for certain lines, because through the medium of this agreement we are able to call upon them for surplus equipment to take care of special travel, and if that were not available for us, it would be necessary for us to do what the Canadian Pacific are doing, namely, keep a large stock of cars on hand which would move only once every now and then.

By the Chairman:

Q. You use the Pullmans really as a supplement to your own equipment?—

A. Yes; it is a carry-over from the old Grand Trunk arrangement.

By Mr. Robichaud:

Q. Do I understand you to say that the Pullman Company gets the fare and the railway gets the value of the berth?—A. No, the Pullman Company gets the fare for the service in the Pullman car—not the railway fare, but the sleeper fare.

By Sir Henry Drayton:

Q. Have the Americans in the United States territory still the extra fare charges?—A. The sur-tax?—Q. Yes?—A. Yes; they have 50 per cent, whereas we only have 25 per cent in Canada.—Q. And in connection with that extra fare, where there is a limited number in the drawing-rooms—is that still in force?—A. Yes.

Q. You never had any in force here at all?—A. No.

By Mr. Robichaud:

Q. Is it to the advantage of the railroad to have this outside company intervene in the railway's business?—A. In so far as the sleeping car companies are concerned, yes, for the reason that I have explained. In so far as the newspaper agency contracts are concerned; that is a profitable proposition for the railway. The contractor can apparently give it closer attention than we can; he is not hemmed in by all the rigmaroles, with which we have to contend.

By Mr. Jelliff:

Q. What are the comparative profits on the different classes of Pullmans?—A. I never saw any figures on that basis.

The CHAIRMAN: Any further questions on this item? If not, we will pass on to No. 105, "Parlour and Chair Cars, \$305,162".

Mr. DALRYMPLE: My remarks in regard to sleeping cars are applicable to No. 105, "Parlour and Chair Cars".

The CHAIRMAN: The next item, No. 106: "Mail, \$3,595,261." We were going to have a special sitting in connection with the carriage of mails. Do you want to discuss this now, or leave it until later?

Mr. STEWART (Humboldt): I would suggest we pass that now.

The CHAIRMAN: Then we will take up No. 107: "Express, \$13,316,628.94". That is holding its own very well?

Mr. DALRYMPLE: Yes, sir.

By the Chairman:

Q. There is a reduction of only about \$330,000-odd?—A. \$338,000.

By Mr. Stewart (Humboldt):

Q. What has been the trend in express rates in 1924—up or down?—
A. There has been no radical change—practically no change at all. The application of the express company for an advance has never been decided by the Railway Board.

By Mr. Rinfret:

Q. Is it still before us?—A. Yes, sir.

By Mr. Jelliff:

Q. I know you are operating fewer express cars—baggage and express cars—than a year ago. Why is that?

The CHAIRMAN: Where is that, Mr. Jelliff?

Mr. JELLIFF: On page 25, "Baggage and Express Cars, 1,018", as compared with 1,051—

Mr. HENRY: It is the other way around.

Mr. DALRYMPLE: I was going to say I was surprised to hear that there was a reduction, because we have been a little short in them, as a matter of fact.

The CHAIRMAN: There is an increase there.

Mr. JELLIFF: Yes, I was under a misapprehension.

By Mr. Robichaud:

Q. Is a schedule of commodities handled by express shown in this report?—
A. I think not, sir.

By the Chairman:

Q. The next item, 108: "Other passenger trains, \$143,494"?—A. That is special service; a very small percentage of the total.

By the Chairman:

Q. No. 109: "Milk, \$455,759"?—A. Your motor truck competition comes into play there. That largely accounts for the decrease.

By Mr. Rinfret:

Q. Why is that singled out?—A. That is the way we keep our accounts and always have done; I believe it is an instruction from the Railway Board.

Sir HENRY DRAYTON: The Interstate Commerce Commission.

Sir HENRY THORNTON: The Commissions in most countries lay down precisely the way in which railway accounts must be kept, and we follow the Interstate Commerce Commission's practice here, which also permits us to conform with our own regulations in Canada.

Mr. STEWART (Humboldt): That accounts for the numbers we see ahead of each of these items?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: Has our own Railway Commission any regulations in regard to that?

Sir HENRY THORNTON: Yes, we have some, but we conform to their regulations as well.

Mr. STEWART: The question I was going to ask, Mr. Chairman, was, does this item headed "Milk" include all the milk carried or only the milk carried on special milk trains or milk cars?

Mr. DALRYMPLE: It includes all the milk carried on all trains.

By the Chairman:

Q. No. 110, "Switching, \$2,562,474". I suppose that represents—A. That is a general decrease reflected by a general decrease in freight traffic. It is the revenue we get for performing services at terminals for other railways.

Q. Inter-switching?—A. Yes.

The CHAIRMAN: No. 111, "Special Service Trains, \$72,000".

By Sir Henry Drayton:

Q. What would be the cost of that, Mr. Dalrymple—that service?—A. Switching?

Q. No, we have passed that. Special service trains. I suppose that is special trains, is it not?—A. My attention is called to the fact that that represents circus and theatrical trains which are handled under contract.

Q. And what is the charge per train mile for these trains?—A. We have a contract form, the basis for the tariff of which is filed with the Railway Commission.

Q. I would like to know what it is.—A. I will be glad to see that you get a copy. If we take out some special figures giving illustration, would that be sufficient, Sir Henry (Drayton)?

Q. Yes, do not cover the whole thing.—A. We will give you some typical instances.

Q. Yes, give me some typical instances of the cost of running special trains. That is the best way of getting at the basis of your train mile costs?—A. Yes.

By the Chairman:

Q. No. 104 is blank; then we have four smaller items, "Water transports, freight, passenger, vehicles and live stock and others". The items are small. Then item 127, "Special Service" is blank; No. 131, "Dining and Buffet, \$1,397,477.27".—A. That is the service that is kept for the benefit of the public.

Q. The same as sleepers?—A. Yes, only more so.

Q. No. 132, "Hotel and Restaurant, \$137,547"?—A. That is station restaurants.

Sir HENRY DRAYTON: Why is the word "Hotel" used there?

Sir HENRY THORNTON: It should not be there. In some places they carry hotel accommodation along with the restaurants.

Mr. DALRYMPLE: On the Santa Fe they do. It is an Interstate Commerce Commission regulation. That is the way they have it headed for that item.

The CHAIRMAN: No. 133 "Station, Train and Boat Privileges"—

By Mr. Stewart:

Q. Before we leave that restaurant item, might we know whether it is a profitable operation?—A. We have not found it particularly so, and for that reason we have now made contracts whereby the work will be performed by a contractor.

Q. Throughout the whole system?—A. Throughout the whole system.

Mr. Mr. Milne:

Q. That revenue has been increased a little, has it not?—A. Slightly, yes.

Q. Would that be accountable for any of the decrease in the dining-cars?

—A. No, I think not. It is simply an ordinary fluctuation.

By the Chairman:

Q. The next item, No. 133, "Station, Train and Boat Privileges, \$161,549." Would that include news agency privileges?—A. Yes, sir; advertising, and one thing and another.

Q. No. 134, "Parcel Room." I should say that ought to pay?—A. Yes, that is profitable.

Q. I think at 10 cents apiece it should be very profitable.—A. Yes, it is profitable.

Q. No. 135, "Storage—Freight, \$170,813"?—A. That fluctuation is actually the result of decreased business.

Q. No. 136, "Storage—Baggage, \$60,737." There is an increase there?—A. Yes.

Q. No. 137, "Demurrage, \$647,335." There is a big decrease there?—A. Yes.

By Mr. Robichaud:

Q. Why is there such a large decrease in demurrage? Has the amount been decreased?—A. The only explanation I can give is that a campaign of education has been going on, and it has been effective. The railways would prefer to get down to the point where they would not collect a dollar for demurrage; they would rather use their cars for transportation purposes.

The CHAIRMAN: No. 138, "Telegraph and Telephone." That is a small item. No. 139, "Grain Elevators." Any questions on that? No. 140, "Stock Yards"—

By Mr. Stewart (Humboldt):

Q. Before we leave that item of "Grain Elevators," from what source is that revenue?—A. That is rentals that we receive from leases of elevators, and also what we receive from elevators that we are operating ourselves.

By Sir Henry Drayton:

Q. We no longer operate the Montreal elevator?—A. No, sir, that was sold to the Montreal Harbour Commissioners.

Q. Which ones are left?—A. One at Transcona, which is not in use, and the Portland Elevator, the Tiffin Elevator, and St. Johns in Halifax.

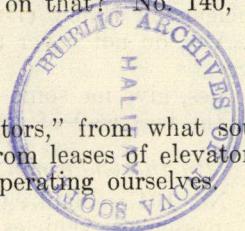
Q. There are no new ones? These are all the old ones?—A. All the old ones, yes.

By the Chairman:

Q. Are there any of them owned but not in use?—A. No; they are all in use—excepting the one at Transcona.

By Mr. Jelliff:

Q. What is the basis upon which you make these leases? I see a difference here from year to year?—A. My attention is called to the fact that rent is not included in that, so those variations would be due to the volume of grain handled through the elevators.



By Mr. Cannon:

Q. How is this amount distributed amongst the different elevators?— How much grain did you handle in Portland, for instance?—A. In 1924, 7,874,000 bushels, as against 19,739,000 in 1923.

Q. And how much through the Canadian elevators?—A. In 1924, at Tiffin we handled 18,000,000; at St. John, 3,900,000. I have not the figures for 1923.

By Mr. Milne:

Q. What about Halifax?—A. At Halifax we had no outgoing grain; we handled some incoming corn.

By Mr. Jelliff:

Q. Did you tell us how many elevators you had, Mr. Dalrymple, and where they were?—A. I can make up a list, in order to make sure of that, and file it.

By Sir Henry Drayton:

Q. What was the amount of the incoming corn?—A. Not very large, Sir Henry (Drayton). I have not got the figures, but I think there were two consignments.

By Mr. Stewart:

Q. When you make out that list, would you include in it the total quantity and the profit and loss on each elevator?—A. Yes. How would you like to have that information shown with respect to the elevators under lease? That is more or less private information, you understand, but I can give it to you if you want it.

Mr. JELLIFF: Let us have the whole thing.

By Sir Henry Drayton:

Q. In connection with the Halifax situation, have we had any outgoing wheat billed via Halifax since the war?—A. My recollection is that we had a small consignment the year before last, not this past winter, but the winter before; nothing to amount to anything.

The CHAIRMAN: Are we through with the elevators?

By Mr. Milne:

Q. Is the elevator still in condition so it can be operated?—A. Yes, sir. It is not attractive to the vessels, and they do not want to use it, consequently they do not make contracts for the movement of grain through that port. It is too slow, and delays them too much.

By Mr. Jelliff:

Q. Do the lessees have to keep up the repairs?—A. Yes, sir.

By Sir Henry Drayton:

Q. What is the capacity of Halifax? 100, as I understand it—or is it 60?—A. It is more than that; 400,000 bushels.

Q. That is the holding capacity. I was speaking of the capacity of the per diem loading?—A. Bushels per hour?

Q. Yes?—A. I am not able to recall it. It is pretty slow.

By the Chairman:

Q. Item No. 140, "Stock Yards." That is a small item showing a heavy decrease?—A. That is a decrease in the shipment of cattle through Portland, and consequently less revenue.

Q. The next item is blank. No. 142, "Rents of Buildings and other Property, \$250,876"—

Sir HENRY DRAYTON: Why is that such a big drop?

Mr. HENRY: That is merely an adjustment, Sir Henry (Drayton).

Sir HENRY DRAYTON: What do you mean by that?

Mr. HENRY: Due to leases and rentals in western region being credited to account No. 510, "Miscellaneous rent income" in 1924, instead of account 142, as in 1923.

By Sir Henry Drayton:

Q. These buildings that we own: what are they? What class of property are these?—A. It would be all classes of property; there would be the lease of land, and lease of buildings not required for railway purposes.

By Mr. Jelliff:

Q. Do the tenants pay the taxes?—A. Yes, sir.

By Sir Henry Drayton:

Q. And have you any idea of the capital value that is covered by these items?—A. No, I have no idea. We cannot very well arrive at the capital value of the land. We have thousands of leases for ground and for coal sheds. I could make you up a list.

Sir HENRY DRAYTON: I do not want to put you to a lot of work and expense.

Mr. HENRY: These buildings are all on land owned by the company all over the system.

By Sir Henry Drayton:

Q. There is this to be said about it: that the leases on these lands are entirely nominal, because it pays to have a producer of tonnage on your lines. I suppose that is the real situation?—A. Yes. Generally speaking, the basis utilized is six per cent of the appraised value of whatever we lease, plus taxes.

Sir HENRY DRAYTON: We have some very different from that.

The WITNESS: Yes, but that is the general basis.

The CHAIRMAN: Number 143, Miscellaneous, an item of \$1,475,582.85. What about that, Mr. Henry?

Mr. HENRY: That item shows a decrease of about \$80,000. This is principally due to revenue collected from the C.P.R. in the spring of 1923 for detouring trains and so forth due to washouts on their line.

Sir HENRY DRAYTON: What do you cover, under the head of Miscellaneous, in this account?

Mr. HENRY: Mr. Cooper can answer that.

Mr. COOPER: Small incidentals which are not covered by the previous classification.

Sir HENRY DRAYTON: But what do they consist of, speaking generally, they cannot consist of any passenger or freight earnings; it cannot consist of any yard activity. It may consist of casual revenue which arises from some not classified activities, but what is it?

Mr. COOPER: I could not answer that without looking into it for you.

The CHAIRMAN: Are there any further questions upon that item. If not, we will take the next, Number 151, Joint Facility—Credit, whatever that may mean.

Mr. HENRY: In 1923, our revenues from the Ottawa Station were handled through account number 508, Joint Facility Rent Income; in 1924 it was handled through accounts numbers 151 and 152.

The CHAIRMAN: Does the same explanation apply to the next item?

Mr. HENRY: Yes, Mr. Chairman.

SIR HENRY DRAYTON: Just a balancing entry?

Mr. HENRY: Yes.

The CHAIRMAN: The total operating revenues amounted to \$235,588,182.55. On the next page we have the details of expenses in connection with Maintenance of Way and Structures. The first item is Number 201, Superintendence \$3,023,317.09. What about that item?

Mr. HENRY: There is only a slight increase there of about \$40,000 for last year. That item includes general superintendence in connection with Maintenance of Way and Structures.

The CHAIRMAN: Just exactly what is meant by Superintendence?

Mr. HENRY: The direction of supervisory officials as distinct from the men who do the actual work.

The CHAIRMAN: Executives?

Mr. HENRY: Yes, executives. It goes right down on to the division; it includes men right down on to the divisions, acting in a supervisory capacity.

The CHAIRMAN: Not actual work?

Mr. HENRY: Not actual work.

SIR HENRY DRAYTON: Suppose we get the real run of it. What is the top of it, and what is the bottom of it?

Mr. HENRY: Well, I think I can probably answer that by the classification. I will get that and read it out of the classification. That is probably the best way to cover it.

The CHAIRMAN: We will take up the next item, Number 202, Roadway Maintenance, \$3,965,740.73. There is a big decrease there.

Mr. HENRY: Yes, of about \$329,000. That is due to closer supervision, perhaps. That includes the maintenance of what may be termed everything below ties, ballasting and rails, including fencing, ditching, and everything of that character.

The CHAIRMAN: Don't you include in your Maintenance of laying of rails?

Mr. HENRY: No; that is under Track Laying and Surfacing. It includes whatever lining is necessary, but not the work of putting in material.

SIR HENRY DRAYTON: No. How many miles does that cover?

Mr. HENRY: I think that would cover something like 22,000 miles, exclusive of sidings.

The CHAIRMAN: It would be the whole mileage, anyway.

Mr. HENRY: The whole mileage in the system.

SIR HENRY THORNTON: The mileage would be shown on the first page of the report.

Mr. HENRY: And there are details on page 39.

The CHAIRMAN: We will take those when we come to them. The next item is number 206, Tunnels and Subways. What about that item?

Mr. HENRY: There is only a small increase there of \$9,705.63. That was due to the expense of lining and concreting the tunnel at Yale.

The CHAIRMAN: The next is number 207, Tunnels and Subways Depreciation, a small item.

Mr. HENRY: There was no increase there.

Sir HENRY DRAYTON: Just as a matter of information on this point, how many tunnels and subways do you cover by a depreciation of \$12,000, and where are they?

Mr. HENRY: Just one, the St. Clair tunnel.

Sir HENRY DRAYTON: Is there no depreciation allowed on any of the others?

Mr. HENRY: No. It is taken care of by ordinary Maintenance as and when Maintenance and Repairs are necessary.

The CHAIRMAN: What is the Depreciation rate?

Mr. HENRY: On the St. Clair tunnel, I cannot tell you. One per cent on the steel lining of the tunnel, Mr. Cooper says.

Sir HENRY DRAYTON: You figure it will last one hundred years?

Mr. HENRY: It is almost perpetual, I suppose.

Mr. STORK: Is that the one at Sarnia tunnel?

Mr. HENRY: At Sarnia tunnel.

Mr. STEWART (Humboldt): Why is it different to the others?

Mr. HENRY: It was constructed and operated separately.

Mr. COOPER: We are regulated there by the Interstate Commerce Commission.

Mr. HENRY: Part of it is in Canada and part of it is in the United States.

Mr. STEWART (Humboldt): Is this a reserve that is being built up?

Mr. HENRY: Yes.

Mr. RINFRET: Under what item does the Montreal Tunnel come?

Mr. HENRY: There is no depreciation on it.

Sir HENRY THORNTON: There is no depreciation on that, because the character of the tunnel is such that it does not depreciate. The St. Clair tunnel under the river is somewhat of a difficult and peculiar construction, a construction different to any others, but the principal reason is that we have to comply with the regulations of the Interstate Commerce Commission referring to that part of the tunnel in the United States. Ordinarily, in fact, almost invariably, the maintenance of the tunnel automatically takes care of the depreciation. A hole in the ground is one of the things which does not depreciate materially. Take the Britannia, there is practically no depreciation. For instance, a tunnel that comes out of the solid rock requires very little maintenance and there is no depreciation, it will be there for a thousand years unless some upheaval of nature occurs.

The CHAIRMAN: The same thing applies to the tunnels in the Rocky Mountains, in British Columbia?

Sir HENRY THORNTON: Yes.

Mr. STORK: Under what maintenance does the St. Clair tunnel come?

Mr. HENRY: That would be under Tunnels and Subways, Number 206.

Mr. STEWART (Humboldt): Before we leave this item what will be the natural distribution of that money?

Mr. HENRY: You would have to use that reserve for the replacement of the lining of the tunnel when necessary. That would be necessary, under the Interstate regulations.

The CHAIRMAN: If your conclusion is correct, at the end of 100 years you will have enough money to replace the tunnel?

Sir HENRY THORNTON: It does not amount to very much, one way or the other.

Mr. STEWART (Humboldt): Do you draw on this depreciation reserve for Maintenance from time to time?

Sir HENRY THORNTON: No.

Sir HENRY DRAYTON: It all goes into the general pot.

Sir HENRY THORNTON: As a matter of fact the item is much more academic than practical.

Sir HENRY DRAYTON: Certainly it all goes into the pot, Sir Henry; there are no segregated tunnel assets. I am right about all these things that go into the general pot—there is no separate trust account for them?

The CHAIRMAN: Ties. You had something yesterday with regard to ties, a large item. Do you desire to take up Number 208 now?

Sir HENRY DRAYTON: Let us take the similar items. Numbers 208 and 209 are really together. The depreciation we have there, is it also confined to American territory?

Mr. HENRY: Yes.

The CHAIRMAN: Bridges, Trestles and Replacements treat of Canadian territory?

Mr. HENRY: Yes; replacements are made as and when required, and charged to betterments, unless a trestle is replaced by a structure of a more permanent character, such as a steel bridge.

Sir HENRY DRAYTON: If you put it in by a fill, it goes to Betterments, or if you put it in by a steel member?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: On that question, what are we confronted with in connection with the renewal of trestles at the present time?

Mr. HENRY: I think Mr. Brown can answer that. Probably 90 miles of timber still.

Mr. BROWN: We have approximately 90 miles of timber bridges in existence now.

Sir HENRY DRAYTON: Ninety miles left?

Mr. BROWN: Yes.

Sir HENRY DRAYTON: How many did you take out last year?

Mr. BROWN: I will give you that in a moment. We eliminated by permanent work 169 timber bridges last year.

By Sir Henry Drayton:

Q. Of what length?—A. 31,449 feet.

Q. One hundred and sixty-nine timber bridges were taken out last year, in all 31,449 feet?—A. Yes.

Mr. HENRY: About six miles.

By Sir Henry Drayton:

Q. What were these replaced by, Mr. Brown?—A. They were replaced with culverts and fills.

By Mr. Jelliff:

Q. What kind of culverts?—A. Principally concrete, but sometimes timber, where conditions made it more economical, the balance with steel structures, practically all permanent replacements.

By Sir Henry Drayton:

Q. What was the cost of the 31,449 feet?—A. I can give you the amount which was authorized.

Q. We have all this mirrored somewhere in these accounts; in order to follow it intelligently we would have to know what the cost was, how much the cost was, put to Maintenance, and how much to Betterments.—A. I had better prepare a statement for you.

Q. You have 90 miles still left, of wooden trestles?—A. Yes.

Q. How near is that 90 miles to arriving at its life?—A. Well, it varies.

Q. What is your report to your executive?—A. Of course we have some old bridges, and they run right up to bridges built last year.

Sir HENRY THORNTON: What is accepted in engineering practice as the average life of a wooden structure; is that what is wanted?

Mr. HENRY: No. It runs from six to ten years, depending upon conditions.

Mr. BROWN: More than that, twelve years.

By Sir Henry Drayton:

Q. What do you say, Mr. Brown; whatever you will say, I will take.—A. The average length of life?

Q. Yes.—A. I would say about twelve years.

Q. Can you tell us now how long these structures have been in on the average?—A. I cannot, from the data here, but I have it in the statement, which shows just how old they are, in groups.

Q. When you are looking up the other things, you might cover that as well, to save time?—A. The Sun Dance trestle was replaced two years ago. That bridge was replaced with a bridge very much shorter.

Q. You still have some timbered stuff there?—A. Yes.

Q. There was another point where we used to have trouble, and that was at the Divide.—A. Some of those bridges have been replaced.

Q. The trouble on the Bulkeley was that there was a considerable movement?—A. There has not been so much of that the last few years.

Q. It was arrested, as I remember, about 18 inches from the danger point.—A. Something like that.

Q. Are we still holding that 18 inches there?—A. We have not had any complaints with regard to it.

Q. Have you made an inspection?—A. No, not personally.

Sir HENRY DRAYTON: So that stands.

By Mr. Cannon:

Q. Can you tell us what arrangements you have made with the Government for running your trains over the Quebec bridge?—A. I don't think we make any payment for our trains over the bridge; it is our bridge. It is part of the National Transcontinental; it is in our Capital Account.

Sir HENRY DRAYTON: It is not entirely in the Capital Account. I looked into it some years ago, and my recollection is that all that is in the Capital Account to-day is the actual cost of the present structure. There was nine million, I think, in connection with structures that went in there in the course of completion. I speak from memory upon these figures on everything. The new structure was supposed to represent the construction cost, not the carrying cost. The cost of construction went to the Transcontinental.

Mr. STEWART (Humboldt): Mr. Chairman, I was not quite clear whether these replacements in trestles and culverts were charged to these items or to Capital Account?

Mr. BROWN: They are charged to both, Mr. Stewart; that is, in the replacement of a timber bridge we set up the original cost of that timber bridge. We will assume it was \$1,000; we put in a new structure, a permanent structure that might cost \$2,000; there would be a portion of difference in the cost you might say charged to Capital Account.

Mr. STEWART (Humboldt): The capital cost was increased by \$1,000?

Mr. BROWN: Well, there is the salvage of the old trestles taken off, and several other amounts, but to all intents and purposes the new capital cost is a capital charge, and the maintenance cost is charged into the figure you see in Item No. 208.

Mr. STEWART (Humboldt): I think it would be interesting Mr. Chairman, to us to know how much is being written to capital on these accounts?

Mr. DALRYMPLE: That is in the statement. That is not the last year's operation. In replacements of purchases, how much for capital and operating.

The CHAIRMAN: The item of ties, Mr. Stewart, you had something yesterday, which you desired to ask.

Mr. STEWART (Humboldt): I have some questions, I think we have time to take it up.

Sir HENRY THORNTON: In that connection, I think, Mr. Vaughan, Vice-President in charge of Purchases is here and perhaps he had better take the chair and answer your questions. I think he can do that better than anybody else.

Mr. STEWART (Humboldt): Well, to introduce the matter, I would like Mr. Vaughan to make a statement as to the manner in which tie contracts are let or the manner in which ties are secured for the railway?

Mr. VAUGHAN: The method we follow in arranging our tie purchases is approximately as follows: About August we call for tenders on ties, place advertisements in the newspapers and usually notices in stations and in addition we communicate with everybody who has been in the habit of selling us ties, and ask what ties they can furnish us with for the following year's requirements. We also do that with any new people from whom we have heard. We also communicate with them and ask them what their ability is to supply ties, or whether they have timber and so on and when we get quotations we place the ties on the lowest possible basis.

Q. Would you intimate what quantity these contracts usually cover?—A. Well, contracts will run anywhere from 1,000 ties up to 500,000 ties. They vary. We place orders from 200,000 to 300,000 by contract according to the quantity we may need for the particular year.

Q. Do your contracts run about equal in cost for the various divisions?—A. No, the price of ties will vary, dependent on the cost of getting out the timber. It will vary in different districts. In some parts of the country timber will be back from the railway and it will have to be skidded and it is brought out to the tracks and that has a specific bearing on the cost of ties.

Q. Have you any prejudice against dealing through men who will take large quantities or men who will supply in 1,000 contracts?—A. We have no prejudice in the matter at all so far as that goes. We have had a lot of difficulty in our ties in the past. We have on different occasions given men contracts and I have a recollection where we have given people contracts for 100,000 and we would find that they would be doing business with other people and we would get no ties. When the lumber market is good those things occur and the railway must look after their tie supply. We have, therefore, got in

the habit of dealing with people who are reliable. We have no difficulty in dealing with settlers and we have not declined to take ties which settlers have to offer.

Q. Do you pay the same price for small lots as you do for larger contracts?—A. Yes.

Q. Do you pay the same price as you do for larger contracts?—A. We usually pay a smaller amount for a small contract as there is additional expense in inspecting the ties and a great deal depends on where those ties are located. There is necessarily a difference between the two prices.

Q. It would be on the same basis?—A. Yes.

Q. Now, Mr. Vaughan, I want to place before you certain statements that have been made by some of the men who are interested in this tie supply business and who claim that the ties are costing the company too much. They state that the cost can be cut down by dealing in a more direct way with the man who actually produces the ties. The claim is made—and there are claims that have come from different sections, one from the British Columbia area and one from Northern Saskatchewan, and the men who are making these claims can see no reason why the price that you pay to the contractor should be so out of proportion to the price which they receive for making ties?—A. Have these men tried to sell to us direct?

Q. Some claim they have and they claim they have been hedged about so they were not able to satisfactorily deal with the company direct. I am giving you exact instances. I have correspondence from some of these men. Take the Northern Saskatchewan area for example. Some of the men in there claim that they could make a better offer to the railroad than what the railway was paying to the contractors. I have the name of one and perhaps you could look up the contract and verify the figures. This is a claim that these contractors received a certain price, Hett & Sibbald of Prince Albert?—A. Yes, they have a contract.

Q. Do you know what price you paid to them?—A. I think the price we paid them depended on the size of the tie. We usually pay 70 to 75 cents.

Q. For No. 1 and No. 2 ties?—A. Yes, for smaller ties, probably 40 or 45 cents—for No. 3 ties.

Q. The men claim, the men who wish to take these out claimed when they offered to supply ties to the company, the company stipulates the ties must be taken off their own land and would not accept them if they did not cut them off their own land. The facts were these men did not have tie timber on their own land. They wanted to have the same privilege as a large contractor, that is to cut the ties where they could get them and supply them to the Government. Do you know anything about that?—A. No, do they say they offered to sell them at a lower price than we were paying?

Q. I do not know as they got so far as a definite statement. They considered they were turned down definitely when they were told they had to take the timber off their own land?—A. I do not know about these particular cases you refer to. We have been offered several million ties, more than we can take, and we are not buying nearly as many this year and the result is we have to stick to our own contractors and have reduced their contracts by 50 per cent and we have no additional ties this year and are buying 3,000,000 ties less than last year.

Q. I thought you said you had never refused to take ties from settlers?—A. I do not think we have. The man you speak of is getting into the class of a contractor.

Q. Yes, he wants to be in the class of a small contractor. This man states a man can take out ties and deliver them at Wallburg, that is a siding or station in the neighbourhood of Prince Albert, for 30 cents. He also in his correspondence intimates he had heard you were paying Hett & Sibbald in

the neighbourhood of 22 cents each?—A. That would be about the average. We pay different prices for different sizes.

Q. There would be the loading price?—A. I doubt if we could take ties out at that price. We have always taken ties out of Northern Saskatchewan when we could get them, for the reason that if we did not get them there we had to bring them from British Columbia.

Q. Here is the other statement. In order to keep the settlers along the line busy during the winter season it has been decided to accept 1,000 ties each from them provided the timber is cut from their own section.—A. What we have found, especially in British Columbia is that unless we make large contracts with big prices we cannot depend on our supply. These men take out ties this year and next year not at all. We have to place the bulk of the contract with big contractors. They are the men who will complete their contracts.

The CHAIRMAN: Is there any such restriction that the ties must be cut from their land?—A. There is in the case of settlers. We have found so many settlers will come in—for instance, they come to us and ask for a contract and have no timber. After they get the contract they will go to one of the governments and ask them to set up a certain stand of timber and they will bid on it. The result is the ties will cost more perhaps in that year, but in two or three years they will put up the spread and other contractors will have to pay the same and these men must pay the higher price to get the contract for the timber.

By Mr. Stewart (Humboldt):

Q. That case does not apply in the district I am referring to. The timber is already set up. They would not be raising the price to the railroad contractor by entering in and cutting off the timber. Have they the privilege of going in the same as a railroad contractor?—A. Yes.

Q. And cutting?—A. Yes.

Q. On the same stumpage rights?—A. Yes.

Mr. STEWART (Humboldt): I am submitting this statement as an explanation, which even in view of what Mr. Vaughan has said would appear to be information for the Committee. If ties can be delivered at 30 cents, I suppose that that is an average price and these men apparently were prepared last winter to deliver ties for 30 cents because they could not get that from the large contractors. They refused to pay that much.

Mr. VAUGHAN: I am prepared to say we are prepared to take a million ties to-day at 30 cents if the timber is suitable.

Mr. STEWART (Humboldt): What are you getting from Hett & Sibbald?—A. Jack pine and tamarac.

Q. It is spruce?—A. We cannot accept it.

Q. Whatever Hett & Sibbald are offering, these men are offering?—A. If they can give us ties at that price or 10 cents more we will be glad to take them.

Q. I do not know anything more than the statement he has given me?—A. Have you any idea how many ties he has to sell?

Q. No, he was simply speaking for a number of men in one locality and they did not want to go into the tie contracting business on any large scale. I understand the method they want to pursue is for half a dozen of these farmers in one locality to form a tie camp of their own, working individually and co-operatively. I do not know what one man can take out, probably a thousand ties or a couple of thousand?—A. Do they want to take a tie contract for a certain number of ties?

Q. I am not in a position to say?—A. The question is whether they would assume the responsibility of delivering a certain number of ties.

Sir HENRY THORNTON: You have to take two or three points into consideration. It is not as superficial as it looks. It is not only a question of the price we are paying for ties this year or next year, but it is the general position of the whole tie industry extending over a period of years. It would be quite possible for us to follow a policy which might perhaps result in getting ties at a very low price this year, but which would create serious impairments three or four years hence. We have to consider the reliability of the people we are dealing with and the value of our maintenance work in its efficiency depends upon prompt and early delivery of ties on the right of way, in order that the ties will be in position in the spring as soon as track work commences, so the sectionmen can start to get the ties in. You cannot do much ballasting or lining or surfacing until the ties are in. That is the first operation you commence in the springtime to put the track in shape for the summer. If we fail to get these ties in we would be away into the season when lumber is expensive and difficult to obtain. It is a well known principle of railway practice that very largely the economical and efficient way with which maintenance is carried on depends upon early delivery of ties. So that aspect is one which we have to consider. I daresay there may be found here and there a certain number of contractors who can furnish ties at a lower price than a general contractor with whom we have dealt with for a number of years and will deal with for many years to come. That price will probably only apply to one year. If we take these ties at that price it may be we would put the regular contractor out of business and it would kill our source of supply in a few years' time. I am not saying this in any criticism of what Mr. Stewart has said, or with any desire to indicate that we have been purchasing ties at a higher rate than we should. I am outlining the position and we have to look at it not for this year, or next year, but we have to consider the whole position for a period of years.

Mr. STEWART (Humboldt): I fully realize the position as you outline it and know the railway company has to protect themselves, but on the other hand it seems to me the statements that are made are worthy of consideration. I am aware of the fact that the Canadian Pacific Railway have found it suitable to come into forest lands under their own management rather than do it through contractors. I am as a matter of fact submitting this as something which can be looked into by the National Line and that possibly in the matter of tie contracts considerable money might be saved. I found one man in this very district who says he delivered 10,000 ties at Wallburg at 47½ cents and these ties went in to the contract at 72 cents. He was not paid anything for No. 3 and he had to help load.

Mr. VAUGHAN: There is entirely too big a spread between what he is getting from the contractor and getting himself.

Mr. STEWART (Humboldt): I have also some statements to make with regard to the British Columbia area and some figures which I would like to present. They very closely back up the statements I make from Northern Saskatchewan.

The CHAIRMAN: Is it likely to take long?

Mr. STEWART (Humboldt): Not very long.

Sir HENRY DRAYTON: I move we adjourn.

The CHAIRMAN: Till when? Monday, Sir Henry Thornton will not be able to be here. What is the feeling of the Committee, to meet Tuesday or Monday?

Sir HENRY THORNTON: I can be here Tuesday. I have some important things to attend to Monday.

The Committee adjourned.

COMMITTEE ROOM 436,
HOUSE OF COMMONS,
TUESDAY, April 28, 1925.

The Select Standing Committee on National Railways and Shipping met at 11 o'clock a.m. Mr. Euler, the Chairman, presiding.

Sir HENRY DRAYTON: We might go on with the tie matter.

The CHAIRMAN: Mr. Vaughan, you will have the information in regard to that. Mr. Stewart, you wished to ask some questions with regard to tie contracts. Will you please go on with that?

Mr. STEWART (Humboldt): Yes, Mr. Chairman, and I would like to make my situation perfectly clear. I think the officials of the Railway do not understand that I am not questioning any tie contract or contracts. It is simply a matter of the system that is adopted, and possibly also I want to get on record, for the information of certain gentlemen who have been in correspondence, the prices that are being paid for ties.

Now we were dealing the other day with the Northern Saskatchewan District, and by the way, I have no copy of the evidence of the last day; I am not sure just what was placed on record in the matter of figures. If Mr. Vaughan has no objection I wish he would place on the record the prices that are being paid in Northern Saskatchewan, to the contractor. It is pretty generally known.

Mr. VAUGHAN: The prices are, I think, 85, 75 and 45, according to the hack of the tie.

By Mr. Stewart (Humboldt):

Q. Another statement I want to make sure is very definitely on the record, is one that either you made, Mr. Vaughan, or Sir Henry Thornton made the other day, to the effect that you were purchasing from the small producer in any quantity he would like to supply.—A. Yes, we are buying from the small producer, Mr. Stewart, so long as we are satisfied that he can carry out his undertaking, but the small producer will not, as a rule, give us a quotation on a contract; he wants to take the contract at the prices the other fellow gets. If he has not got timber, we will not give him a contract. If he has, we will give him a contract; but as I have pointed out, we never refuse ties from settlers in lots say up to 1,000 ties. I have no recollection of ever having refused a tie of any kind in Southern Saskatchewan. We are always anxious to get all the ties we can there.

Q. I thought I understood you to say that you were not taking spruce ties? —A. Yes, we are not taking spruce ties. We have taken some spruce ties for the Hudson Bay Line, but for our other lines we are not taking spruce ties, because they are not satisfactory ties.

Q. When you are letting contracts there, do you make a provision that you will take a certain percentage?—I understand that in other areas you do take a small percentage of spruce where the contractor is clearing up the land?—A. We have, in some cases, yes. We made special exceptions in that case. We might get five or ten per cent spruce, depending on the conditions.

Q. That would be at a reduced price?—A. Yes.

Q. You were referring to the matter of taking contracts from, or letting contracts to, these small producers. Supposing a settler, or settlers, produced, say, 5,000 ties without contract; through your system of purchasing could you take those ties from them?—A. In 99 cases out of 100 we would take them unless there were some unusual conditions, where we had a good surplus of ties on hand; but we have never, to my knowledge, refused to take ties from farmers who had made them and delivered them alongside the railway.

Q. Naturally you do not encourage that sort of thing, because you want a record?—A. We want a record. We want to know where we are at. If we want ten million ties we want to know where we are to get ten million ties.

Q. I think that makes it perfectly clear, in answering the questions so far as Northern Saskatchewan is concerned. I will give you the figures in regard to Smithers, B.C., area, that have been placed in my hands.

First of all, this gentleman says there are 500,000 ties taken out in that area.

The contract price is \$720 for Number 1. \$620 for Number 2. And \$350 for Number 3. Is he accurate in those figures?—A. \$720? I don't know just what he means. The price we are paying in some of that district is 70, 60 and 35. I think 70 cents per tie.

Sir HENRY DRAYTON: That would be per thousand.

Mr. STEWART (Humboldt): This is \$720 per thousand. That would be 72 cents per tie.

Mr. VAUGHAN: Yes, we are paying 70, 60 and 35.

Mr. STEWART (Humboldt): He is a little high in his figures there. Now he gives some costs here, of production:—

Tie hackers, \$180 per 1,000 for 1's and 2's. Nothing for Number 3's.

Roads \$10 per 1,000.

Teams \$80 per 1,000.

Loaders, \$30 per 1,000.

Car loaders \$40 per 1,000.

Making the total \$340 per 1,000 for 1's, 2's and 3's.

Then he adds to that Government stumpage \$60 per 1,000. Royalty \$20 per 1,000. Which brings the total up to \$420 per 1,000. And from that he deduces that the railway should be able to secure these ties at a lower price and pay to the men who are working, but he maintains are not getting a fair share of the product, more than \$180. He says that there is a difference there of \$300 on 1's, \$200 on 2's and \$100 on 3's.

Mr. VAUGHAN: I do not know where he gets his information. I am inclined to think his information is wrong. But we have, for the benefit of the settlers out there—who are in a very bad way, and who have very little else to do but take out ties,—established a differential of between five to seven cents as between what we will pay on contract, and we stipulate what the contractor will pay the settler, so that the contractor cannot take advantage of the settler. That is pretty well known, so if the settlers are selling their ties at too low prices to the contractor, it is their own lookout.

By Mr. Stewart (Humboldt):

Q. Do not misunderstand his figures. I think I understand them myself. He is not talking about what they sell them at. He is talking of the cost of production.—A. He takes the cost at 42 cents per tie for production?

Q. Yes.—A. That will depend entirely on conditions; the length of haul and all that sort of thing. I do not know just what the particular operation is that he refers to. I suppose the prices vary according to the stumpage the man has to pay, but I know this, that the settlers out there generally think we are paying very much too low for our ties, because they have made a good many representations to us in that connection both collectively and individually, and the contractors have also done the same. We call for tenders on ties and we usually pay perhaps 20 or 25 cents a tie lower than the lowest tender. It is a matter of negotiation, the price of ties, entirely.

Q. You do not agree with this man's conclusions, that if this was not done through the contractor, he follows on to state, that this could be done directly

by the railroad, by operating the camps at an approximately 60 per cent saving?—A. No, I don't agree with him at all, Mr. Stewart. Besides, I think if we followed that to its logical conclusion, we would be in every business there was, which is something we don't want to go into. We find, generally speaking, when a railway goes into a proposition of that kind, it is a losing proposition, owing to the wages we have to pay, and other conditions surrounding the railways, so that we cannot produce and manufacture a product as cheap as a manufacturing concern can. That applies in almost everything we do.

Q. Taking his estimate of the percentage, I think \$180 a thousand to the men who are making ties, tie hackers he calls them.—A. That would not seem to be out of the way. He would be referring to 18 cents a tie. That would not seem to be out of the way. I just might point out, showing the difficulty of some of these things, Mr. Stewart, that you brought up before, as to Hett & Sibbald and the amount they were paying contractors. I mention this to show the situation. A wire was sent to them on Saturday. They had no idea of the purport of the contract.

“Please wire me, not later than Monday morning, list of your tie sub-contractors, giving addresses and prices you are paying them.”

This is their reply:—

“Your wire 25th. Prices range from 80 to 65 cents for 1's. Ten cents less for 2's. Names include men in charge of work on our own limits, it being advantageous in speeding operations that they be placed on piecework in place of wages. Also purchases from settlers in small lots. Prices vary according to expenses incurred. These include cash advances, investigations and guarantees made before a camp is started. If your wire is referred to any special sub. we have full particulars of all wages, store bills, team hire, name of employees, etc., as all wages, etc., are paid by us. We can therefore supply you wire details of any particular party you should wish at any time. Cash advances alone to date are over \$43,000 apart from guarantees as we have not a sub. we don't have to finance to the limit. Therefore would be obliged if you will rush our March cheque as we are continuing to pay out daily large amounts.”

This is the point I want to bring out. This man is a contractor for 75,000 ties, which would probably run to \$60,000. He said, “Cash advances alone to date are over \$43,000, apart from guarantees, and as we have no sub we do not have to finance to the limit; therefore, would be obliged if you would rush our March cheque.”

Q. He gave you a list of those sub-contractors there?—A. Yes.

Q. Does the name Fisher appear in that list at St. Walburg?—A. No, it does not appear here at all, Mr. Stewart.

Q. I think I read a statement the other day signed by Charles Hemmelgarn, and his statement was that he had taken out ties last winter at 47½ cents per tie, and had to help load at that; that he had been to see Fisher, and he says he will pay 30 cents per tie laid down at St. Walburg?—A. He is not mentioned here. There is a big list but Fisher's name is not mentioned.

Q. The information as to who this man Fisher is is not there, but apparently he is a purchaser of ties. Is St. Walburg on your list?—A. Yes, there is a chap named Heft Herman, and Mooseback & Rossdahl, at St. Walburg, and George Wagner, at St. Walburg, and Webster & Buick at St. Walburg, and P. H. McIlwraith, at St. Walburg; 5 at St. Walburg.

Q. But this man Fisher's name does not appear?—A. There may be individual cases where there appears to be an injustice done, but unless we know they are, and the circumstances, it is pretty hard for us to investigate, but we do try to protect the settlers by naming the spread as much as we can.

Q. And you have already stated that, to the best of your information, this is not a representative case; that is, the general terms are those which are being secured, which you have here?—A. I think so.

Q. I want to get this statement perfectly plain, so I think these men will understand. I am not trying in this Committee to bring up any individuals, but am treating it as a general system?—A. We are glad to know these, and if contractors are taking advantage of any man, we will soon put it right.

Q. If these men want to press matters they can do it by correspondence with the company direct, but there is a principle involved here, and I think if we can find a method of saving even a few dollars, it is worth investigating?—A. Absolutely.

Mr. STEWART (Humboldt): I am placing this before the Committee for what it is worth; I am not guaranteeing they are accurate. I think that is all, with regard to ties.

The CHAIRMAN: Has any other member any questions to ask with regard to ties?

By Mr. Jelliff:

Q. If Mr. Stewart's statement is correct, that the cost of producing a tie is 18 cents, it looks like a wide margin between that and 72 cents.—A. It depends on what he has to pay. If he has to haul these ties perhaps 15 miles, and if he has to pay the Government the dues of 8 or 10 cents, if he must pay his team hire to haul the ties, and the hay and oats and everything necessary to make up his camp, he has a certain amount of overhead to pay.

Q. There is a margin there of about three to one?—A. Yes. He shows it as a total of 42 cents. I would not think any ties could be bought in British Columbia for 42 cents. We only know by the prices we get, and get prices on ties from hundreds of settlers in British Columbia.

By Mr. Stewart (Humboldt):

Q. You have never been offered ties at a figure anywhere near that?—A. Nothing approaching that figure, no.

The CHAIRMAN: The next item.

By Mr. Jelliff:

Q. The statement here shows about the same number of ties approximately used in 1924 as in 1923. Was there much construction done on branch lines last year for which new ties had to be used?—A. Mr. Hungerford can answer as regards the branch lines.

Mr. HUNGERFORD: There was some construction, yes.

Mr. JELLIFF: But that does not enter into this at all?

Mr. VAUGHAN: No, it does not enter into this at all.

The CHAIRMAN: The next item is "Rails," on page 19.

By Sir Henry Drayton:

Q. How are the rail supplies handled, Mr. Vaughan?—A. We ordered about 25,000 tons of rails less this year than we did last year. I think the statement will show what the rail stock is. You mean in quantity, Sir Henry (Drayton)?

A. I do not know whether we have that figure here or not.

Mr. BROWN: You mean the number of miles replaced with new rails?

Sir HENRY DRAYTON: Yes, the whole thing.

By Sir Henry Drayton:

Q. From whom are you buying your rails?—A. Some from the British Empire Steel Company and some from the Soo.

Q. And of the contracts, how many were from the British Empire and how many from the Soo?—A. I think under the contracts this year the Algoma gets 30,000 and the British Empire Steel gets 45,000.

Q. What are the dates of these contracts?—A. I think they were made about December; I do not remember off-hand.

Q. Last year?—A. Last year, yes.

Q. Is there just the one contract in each place?—A. There was a contract made with the British Empire Steel, I think it was, last September, for 12,000 tons of rails to be delivered this spring. No payments were made on these rails at the time.

Q. Have you any supplemental contracts?—A. Yes, there was another contract made.

Q. Let us get this story right. Let us start with the commencement of the year. What were the contracts in January of last year?—A. The only contract let for rails last year—and perhaps I had better explain this—we let our contracts for rails in November or December for delivery the following year. Now, we made a contract last September—

Q. Wait a minute. For the supply of 1924 you made a contract in 1923?—A. I am talking about the supply for 1925.

Q. Our figures here are for 1924, and to start this thing right we have to start with 1923. What was the position with regard to rails at the commencement of the year 1924? What was your commitment there under contract?—

A. All I can give you, Sir Henry, (Drayton) is our purchases in 1924 and our purchases in 1925.

Q. But the supply of rails going into these accounts largely rests on contracts made in 1923?—A. Yes. We have contracts for the three years here.

Q. On the 1st of January, 1923, what was the supply of rails on hand?—A. I cannot give you that figure. We will get that information for you.

Q. At that time how many rails were under contract undelivered?

Mr. STEWART (Humboldt): Is that 1923 or 1924?

Sir HENRY DRAYTON: January, 1924.

Mr. STEWART (Humboldt): I think you said January, 1923.

Sir HENRY DRAYTON: Under the contracts of 1923.

Mr. BROWN: You want the new rails on hand January 1st, 1924?

Sir HENRY DRAYTON: Yes, that came under the 1923 contract—the amount on hand; then the amount of our commitments to accept rails under the old contracts at that time; the prices in each case; the list of new contracts given; their dates; their prices during the whole of the year. We had some discussion in the House which looks as if a new supplemental order was given to the British Empire Steel this year. I would like the particulars of all such contracts down to date and their prices.

Mr. VAUGHAN: We will give that to you.

By the Chairman:

Q. Do you buy all your rails in Canada for the Canadian lines?—A. All in Canada.

Q. From what firms?—A. From the only two firms who manufacture rails in Canada.

Q. That is the Besco and the Soo?—A. Yes.

By Sir Henry Drayton:

Q. What is the line of division, having regard to economies in rail distribution, between the two producers?—A. It is based on the price at the mill plus the haul.

Q. And where is the point where you have your economic dividing line for distribution?—A. We might put it this way: The price of Sydney rails was \$46.50, and the price of Soo rails was \$47.25. I cannot say off-hand where it divides; it would divide, at the present time, somewhere around Belleville—somewhere around there.

Q. I understand—and this is merely a matter of recollection—that the British Empire Steel Company had a large contract for rails?—A. Yes.

Q. And that they sub-let that contract to the Algoma—is that true?—A. No, sir, that is not true.

Q. That was never done?—A. No, sir; never done.

Q. And that the Algoma supplied rails at a discount of 10 per cent?—A. That is not right. How do you mean—discount of 10 per cent?

Q. The price of the British Empire Steel was 10 per cent over the contract rails?—A. We never received rails at any time on the British Empire Steel contract.

Q. Never have?—A. Never have at any time.

Sir HENRY DRAYTON: Then let us know, at the same time, how many rails have been used, and how many on hand. We want to have that information in such shape that it will give us real information, that is, showing our supplies at the time the contracts were made, and the price.

The CHAIRMAN: Have you any further questions? If not, we will go on to No. 216, Other Track Material \$1,961,999.13.

Sir HENRY DRAYTON: I suppose that is the usual track material, such as angle bars and so forth?

Mr. VAUGHAN: Bolts, angle bars, pins, spikes and so forth used in those rails.

The CHAIRMAN: The next item, Ballast, No. 218.

Mr. STEWART (Humboldt): May I ask this question? Is all of that material purchased in Canada?

Mr. VAUGHAN: If we can do so, we buy in Canada; everything, Mr. Stewart, is bought in Canada unless there is some very big difference in price.

Sir HENRY DRAYTON: Are you referring now to rails?

Mr. VAUGHAN: I am referring to rails and track material.

Sir HENRY DRAYTON: I got a figure of 45 cents on a diner for five figs; if I had looked at the programme I would not have ordered them at 45 cents.

The CHAIRMAN: You should be more careful before you give your order.

Sir HENRY DRAYTON: It depends somewhat upon the source of supply.

Mr. STEWART (Humboldt): They would not be any cheaper, if put up here.

Sir HENRY DRAYTON: They might not be any cheaper, but there would be more people living on the work, instead of supporting Americans.

Mr. STEWART (Humboldt): A week or so ago I was in a dining car, and I might call your attention to the fact that a great many people were eating those very figs Sir Henry Drayton is referring to. Apparently the high priced article is what catches the eye and the appetite of the person in a dining car.

Sir HENRY DRAYTON: It only happened once.

The CHAIRMAN: I do not understand how you get figs under the heading of Other Track Material.

Sir HENRY DRAYTON: They are more tender than rails. It comes very easily when a witness says all the material was purchased in Canada. As a matter of fact we have tremendous purchases in the United States.

Mr. HARRIS: I would like to ask this question. How is it that other items appear to be out of proportion to the purchase of rails? The purchase of rails seems to have increased by one million odd, while others do not seem to be large enough. In 1924, purchases of rails amounted to \$3,676,122.51, while in 1923 they amounted to \$2,717,489.13. Last year the ballasting material and surfacing were about the same as the year before.

Mr. VAUGHAN: That does not mean actual purchases; that means what was supplied to the track. Perhaps Mr. Hungerford can tell us about that.

Mr. HUNGERFORD: It would not follow that the same amount of these different classes of material would be used. It would not necessarily follow that the quantities of these materials would be the amounts actually used; the balance of the material not used would be actually there.

Mr. HARRIS: That is to say, you are liable to use far more rails in proportion than ballasting and other materials?

Mr. HUNGERFORD: Quite.

Mr. HARRIS: There seemed to be such a tremendous discrepancy that I could not understand it.

Sir HENRY DRAYTON: That is a possibility but hardly a probability, is it? As a matter of fact is not the reason for the change in the step there the very good reason that certain other considerations have to be taken into account, that is, that they have a contract with the British Empire Steel, to give them work down there?

Mr. HUNGERFORD: No, sir. We never buy there unless we need it.

Sir HENRY DRAYTON: Was such a contract given?

Mr. VAUGHAN: No, sir, never at any time.

Mr. HARRIS: I do not see how we could jump one million on that one item.

Mr. VAUGHAN: This does not represent what was bought; it was what was used in the track.

Mr. STEWART (Humboldt): Would there not usually be a direct ratio of proportion between rails and other track material?

Mr. VAUGHAN: It would depend entirely on the nature of the work to be done. There might be very many considerations altogether entering into it.

Mr. HARRIS: Could you give us any of those considerations?

Mr. VAUGHAN: Well, rails are taken up on certain lines and are used again, and some of the old fastenings are used, or something of that kind; that is frequently done.

Mr. HARRIS: Wouldn't that apply to all the other material?

Mr. VAUGHAN: I would imagine that Mr. Hungerford's department could give some information there.

Sir HENRY DRAYTON: Can you tell us anything about that, Mr. Hungerford?

Mr. HUNGERFORD: The question depends upon the details of this other material.

The CHAIRMAN: Would you be more likely to use secondhand material in connection with one item than with the other?

Mr. HUNGERFORD: In some cases.

The CHAIRMAN: These fastenings and so on, would you be more likely to use secondhand material of that kind than rails; rails would be principally new, would they not?

Mr. HUNGERFORD: I think the maintenance charge we are considering now covers both new and old rails. It has no relationship whatever to the purchase of new material; whatever new material is purchased is taken into stock, and it is taken from stock and used and charged to maintenance expenses as required. This item of Other Track Material covers a great variety of subjects.

The CHAIRMAN: Next item.

Sir HENRY DRAYTON: What Mr. Hungerford says, of course, is right. We do not get the item of contracts affected here so directly at all, but in connection with what is charged out of stock there is one thing that is always good to know, that is, that in connection with these charges of maintenance, what is the basis of that charge in this particular year, and what has been the proportion of ties, the cost of rails charged to maintenance on the one hand and to betterments on the other.

Mr. HUNGERFORD: These statements, Sir Henry, are the maintenance statements.

Sir HENRY DRAYTON: We all know that, but I think you will agree with me that that item giving the charge to maintenance does not cover anything like the cost of rails placed this year in the existing track; it certainly did not last year.

Mr. HUNGERFORD: There is a certain charge to capital, usually.

Sir HENRY DRAYTON: Certainly, but we have to know what its proportion is before we can get any idea of our costs of rails to look after existing lines; we have to know not only what we want to charge to depreciation but also to betterments.

Mr. HUNGERFORD: It depends upon the circumstances. If you are replacing 80 pound rails with 85 pound rails, the difference of 5 pounds is charged to capital.

Sir HENRY DRAYTON: We all know that too. But what has been the result, what has been the real cost of the placing of rails in existing rail construction? We know how much is charged to maintenance, but what would you say the proportion is?

Mr. BROWN: I think we will have to get that figure for you.

Mr. HARRIS: Do I understand we are to get some more information about the \$1,000,000 increase in the price of rails?

The CHAIRMAN: Yes. That was left over. The next item is a large item, No. 220, Track Laying and Surfacing \$11,443,053.17.

Sir HENRY DRAYTON: We were at Rails, No. 214.

The CHAIRMAN: We have passed that. We have been discussing Ballast.

Sir HENRY DRAYTON: What is the price of ballast at the present time, Mr. Brown?

Mr. BROWN: You mean in place? It would average about \$2.50 per yard in place.

Sir HENRY DRAYTON: I notice you are rock-ballasting out of Montreal. I agree with that; it is in an awful state.

Mr. BROWN: We bought it and put it in ourselves.

Sir HENRY DRAYTON: How much of that have you laid as yet?

Mr. BROWN: We are right in the process of laying it now.

Sir HENRY DRAYTON: You cannot tell what the cost would be?

Mr. BROWN: No.

Sir HENRY DRAYTON: Where do you get that stone?

Mr. BROWN: We get it in Actonvale.

Sir HENRY DRAYTON: What rate are you charging on the movement, the haul?

Mr. BROWN: That I could not tell you.

Sir HENRY DRAYTON: I suppose it is the regular one-half cent per ton per mile?

Mr. BROWN: Seven-tenths of a cent.

Sir HENRY DRAYTON: When did you make that charge?

Mr. BROWN: We made that charge two or three years ago.

Sir HENRY DRAYTON: That makes a very material difference in your charges?

Mr. BROWN: One-half a cent per ton per mile was the rate before the war, on the railways.

Sir HENRY DRAYTON: That was the rate before the war, because it was thought that the general average would bring about the general result, that it would not be unfair to the superintendents of the different departments; but what was the basis of putting it up to seven-tenths of a cent?

Mr. BROWN: The increased cost.

Sir HENRY DRAYTON: But you have rates to-day that you are charging on your lines less than that, and they are supposed to be remunerative. Your grain rate is less than that.

Mr. BROWN: It is less in some sections.

Sir HENRY DRAYTON: It is less in the section where you are doing business; is the company charging itself more for the crushed rock than it is for handling revenue tonnage?

Mr. BROWN: This rate was established of seven-tenths of a cent for construction charges.

Sir HENRY DRAYTON: What is the length of the haul?

Mr. BROWN: The haul would be about 50 miles—between 40 and 50 miles.

Sir HENRY DRAYTON: What did you say the other cost was, the quarry cost?

Mr. BROWN: Ninety-five cents.

Sir HENRY DRAYTON: How many miles are you doing of that?

Mr. BROWN: I think there is about 15 miles.

Sir HENRY DRAYTON: That is, from where?

Mr. BROWN: From Dominion to Vaudreuil.

Sir HENRY DRAYTON: Anything at Bonaventure?

Mr. BROWN: They are at Bonaventure now.

Sir HENRY DRAYTON: Your idea is that you have rock ballast under your present commitments from Bonaventure to Vaudreuil?

Mr. BROWN: We have already ballasted the previous year with rock from Bonaventure to Dominion.

Sir HENRY DRAYTON: What percentage of that rock ballast are you charging to maintenance and what percentage are you charging to betterments.

Mr. BROWN: I cannot give you the exact amounts.

Sir HENRY DRAYTON: You might look that up too.

Mr. BROWN: On that particular job.

Sir HENRY DRAYTON: In 220 can you tell us there what it is in betterments and maintenance?

Mr. BROWN: Which item is that?

The CHAIRMAN: The next item, No. 220.

Mr. BROWN: This item, 220, track-laying and surfacing is given here entirely as a maintenance item.

Sir HENRY DRAYTON: I wanted to get clear on that. I quite agree probably it ought to be, but having regard to the allocation as between maintenance and betterments, is there any portion of this cost reflected in betterments?

Mr. BROWN: Well, for instance, taking the item of laying new rail, for instance, that is applying this heavier rail, it is applying to material, but a portion of the cost is charged to capital, the increased weight of the rail and labour, applying that as a purely maintenance charge.

Sir HENRY DRAYTON: And that has been followed.

Mr. BROWN: Yes.

Sir HENRY DRAYTON: So there is nothing in betterments at all for either track laying or surfacing.

Mr. BROWN: Unless it were laying new track.

Sir HENRY DRAYTON: I mean in replacing existing rails.

Mr. BROWN: No.

Mr. STEWART (Humboldt): How is that division made, referring to ballast, the division between betterment and maintenance or rock ballast. Where is the division line drawn? Do you charge part of the laying of the ballast to betterment?

Mr. BROWN: Very little.

Mr. STEWART (Humboldt): You do charge some?

Mr. BROWN: I do not know whether there is any of that reflected. It is in the price of the material delivered that the capital charge comes in. For instance, we pay more for rock ballast than for gravel ballast.

Mr. STEWART (Humboldt): You gave the price of rock ballast at 95 cents. What is the price of gravel ballast at a similar distance?

Mr. BROWN: The gravel ballast at the pit may only be worth half a cent to a cent over. You have the cost of loading on top of that.

The CHAIRMAN: You have to get a comparison. What does your rock ballast cost you at the pit delivered and what does your gravel ballast cost?

Mr. BROWN: The basis we are working on shows an excess cost of ballasting the tracks over the cost of replacing in kind.

Mr. STEWART (Humboldt): What is that again?

Mr. BROWN: It is the excess cost of ballasting with rock over the cost of replacing gravel ballast with gravel ballast.

Mr. STEWART (Humboldt): That excess is all charged to betterment?

Mr. BROWN: That is a betterment charge or a capital charge.

Mr. JELLIFF: Is there any particular reason for using this more expensive rock ballast at this particular time? Times are pretty hard.

Mr. BROWN: There are various reasons for using it, yes.

Mr. JELLIFF: What is the necessity.

Mr. BROWN: We need additional drainage to reduce shimming, to save the wear on rails, due to uneven trackage.

Sir HENRY DRAYTON: With your heavier power I think it is almost necessary for public safety.

Mr. BROWN: It is the heavier traffic. It is necessary and there is a very material advantage in the reduction of dust.

Sir HENRY DRAYTON: Did you ever figure out the increase of the heavy power as compared with the power of, say, four years ago, in the rail?

Mr. BROWN: There are a number of committees studying that particular feature now as to the effect of stresses in rail due to the heavier power and uneven loads on the various wheels on the locomotives and they are getting some surprising results in that connection.

Mr. STEWART (Humboldt): That increase in maintenance would be reflected in ties, ballast and rails, I suppose?

Mr. BROWN: I did not catch the question.

Mr. STEWART (Humboldt): The heavier traffic would make an increased cost of maintenance in ballast, ties and rails.

Mr. BROWN: In ballast, ties and labour and in the rails; in all those materials.

Sir HENRY DRAYTON: You were telling Mr. Jelliff that the whole thing depended on cost but the cost of your ballast is in the unit.

Mr. BROWN: I gave you the price I know we paid in a very good pit. That depends on the price you can go out and buy this gravel pit for, the cost per yard.

Sir HENRY DRAYTON: I think you have given may be what you consider an exceedingly low cost.

Mr. BROWN: We established the price in the Maritimes before the Courts on that particular cost.

Sir HENRY DRAYTON: It is better to get illustrative costs. Let us be fair with ourselves. What is the fair average cost for gravel laid on your cars?

Mr. BROWN: The price I gave you, sir, was the price in situ.

Sir HENRY DRAYTON: That does not mean much. It is entirely a matter of calculation. Let us get the price on the car before you start your movements. What is the fair average price for gravel ballast on the car at the pit.

Mr. BROWN: Of course that price varies very materially. I should say from 12 cents to 15 cents.

Sir HENRY DRAYTON: That is nearer it.

The CHAIRMAN: Any further questions on that item?

Mr. STEWART (Humboldt): Was that 95 cents you quoted at the quarry on the car or off the car?

Mr. BROWN: I think it was on the ground.

Mr. JELLIFF: How far do you expect to go with this rock ballasting?

Mr. HUNGERFORD: Up to about Vaudreuil.

Mr. BROWN: This year we only intend to go up to Vaudreuil at the price we have mentioned. We hope eventually to extend it right through to Toronto on the heavy traffic lines.

The CHAIRMAN: The next item "Right-of-way, fences, No. 221."

Sir HENRY DRAYTON: That is an ordinary item.

The CHAIRMAN: No. 223, Snow and sand fences and snow sheds.

Sir HENRY DRAYTON: Ditto.

The CHAIRMAN: No. 225, Crossings and Signs.

Sir HENRY DRAYTON: Ditto.

The CHAIRMAN: Station and Office Buildings.

Sir HENRY DRAYTON: What does that item really mean?

Mr. BROWN: That covers a list of about fifty different buildings, baggage rooms, coal trestles, engine houses, freight sheds.

Sir HENRY DRAYTON: What I want to get at is, that is the repair account on these buildings.

Mr. BROWN: The repair account on all railway buildings. You might say, accessories to railway buildings.

Sir HENRY DRAYTON: I want to know whether you have a similar account anywhere in betterments.

Mr. BROWN: We have a similar account in betterments.

Sir HENRY DRAYTON: Which number do you refer to there?

The CHAIRMAN: Page 23, No. 16. "Station and Office Buildings."

Mr. BROWN: One is an addition to the property; the other is the maintenance of the existing property. That shows the total expenditure in a year.

Sir HENRY DRAYTON: You have to consider item 16 with this item 227?

Mr. MACKINNON: What is that 1923 amount on capital expenditure? What is that capital expenditure of 1923 on that item, in account 16.

Mr. BROWN: \$2,496,618.

Mr. MACKINNON: That is about \$900,000 less in 1924, less than 1923.

Mr. COOPER: It is more than that. It is \$1,350,000 less than 1923. Account 16 is \$2,496,000. In 1924, \$1,145,000. It is a decrease of \$1,351,000.

Mr. MACKINNON: \$1,351,000?

Mr. COOPER: Yes.

The CHAIRMAN: Are you sure of 228 "Station and Office Buildings Depreciation." It seems to be a very small proportion.

Sir HENRY DRAYTON: It is very small. What is the total capital charge on the books of station and office buildings?

Mr. COOPER: I could not say that.

Sir HENRY DRAYTON: Do you not know what your station and office buildings cost?

Mr. COOPER: No.

Sir HENRY DRAYTON: Would that not be a good thing to get to know?

Mr. COOPER: It would be impossible at any rate to take a division of the book cost. It might be on the inventory.

Sir HENRY DRAYTON: Why is that so? In your capital account you have that segregated?

Mr. COOPER: Where we have acquired a subsidiary company we might have taken it over at a lump sum figure, which we figure would not be divided by the different elements of property taken over.

Sir HENRY DRAYTON: I would like to know, just as a matter of curiosity, how you, without knowing your base, arrive at that depreciation.

Mr. COOPER: In the particular case the depreciation is figured. It is the St. Clair tunnel; it is only one small property.

Sir HENRY DRAYTON: This has not anything to do with this item. We have had that already. We had that depreciation given to us in subways and that sort of thing.

Mr. COOPER: These are various office buildings in connection with the St. Clair Tunnel.

Sir HENRY DRAYTON: Oh! I see. Are the rest of the stations and office buildings on the system treated as eternal?

Mr. COOPER: We do not include depreciation against them.

Sir HENRY DRAYTON: No depreciation charged at all against them. Take for example that old relic, the Union Station in Toronto. There is no depreciation for that at all, is there?

Mr. COOPER: Not appearing in the account at all.

Mr. MACKINNON: There seems to be no appreciation either?

Mr. COOPER: No sir.

Sir HENRY DRAYTON: We will find the appreciation all right; there are issues—I think perhaps you were not with the system at the time that was done, because if you were I do not think you would make that answer. Do you not know very well that there was an addition to Capital Account in connection with the new station which amounted to a considerable sum of money?

Mr. COOPER: The new terminal at Toronto?

Sir HENRY DRAYTON: Yes?

Mr. COOPER: That is not in here.

Sir HENRY DRAYTON: No, but the fact is that it is so. It is not treated as an appreciation in the sense we would expect that word to be used; there is naturally a heavy increased cost in connection with the improvement. You cannot get out of it. But what did the old Union Station cost you to build; you know that?

Mr. COOPER: We have that figure, but I have not it here.

The CHAIRMAN: It hardly comes under this item, does it?

Sir HENRY DRAYTON: No, it does not, but it ought to. This item is advertising that we have a depreciation on station and office buildings of \$2,368. That item ought to read, "No depreciation on station and office buildings except the buildings in connection with the St. Clair tunnel." Here is one particular item, the depreciation on which would be a tremendous multiple of everything we have shown here.

The CHAIRMAN: That is the trouble, that you write off no depreciation on office buildings other than these in connection with the St. Clair tunnel?

Mr. COOPER: We do not write off any depreciation on property in Canada.

The CHAIRMAN: I would think you should.

Mr. COOPER: For a long time it was prohibited by the Dominion Bureau.

Mr. BROWN: The Dominion classification sets it out that it is not to be added. Take any one of these cases there, you will see depreciation is eliminated.

Mr. MACKINNON: What authority is that you are quoting from?

The CHAIRMAN: This is the Official Guide, which was issued July 1st, 1915, in which it is stated that you are not to write out any depreciation on station and office buildings. Are you obliged to follow that?

Mr. HUNGERFORD: I think we are.

Sir HENRY DRAYTON: We might come to that later on, but the point here is perfectly clear, that the item is entirely misleading.

The CHAIRMAN: Perhaps so.

Sir HENRY DRAYTON: Is there any question about it? We have not any depreciation in connection with our station and office buildings generally, but we simply have the depreciation in connection with the office buildings at the St. Clair tunnel.

The CHAIRMAN: I quite agree with you.

Sir HENRY DRAYTON: The point I am making is that that item is misleading, because it is not what it is supposed to be. It is merely depreciation at the St. Clair tunnel.

The CHAIRMAN: I think we have that on the record now.

Mr. COOPER: I would like to say one thing, Sir Henry, that speaking of the new terminal at Toronto, that is not part of the Canadian National system.

Sir HENRY DRAYTON: We have a refinement there, but the total goes in just the same.

Mr. COOPER: No, we just have a stock interest in that company.

The CHAIRMAN: I suppose that company can write off depreciation, as a company?

Mr. COOPER: It could, but it is not required to do so under the Canadian classification; it is not even required by the Inter-state, on the American side.

The CHAIRMAN: That would not appear in this anyway.

Mr. COOPER: No, the accounts of the new terminal are not in these accounts.

The CHAIRMAN: The next item, "Roadway Buildings, \$150,000."

Mr. STEWART: What does that mean?

Mr. HUNGERFORD: That covers the maintenance of the small buildings only, the section houses, tool houses, and that sort of thing.

Sir HENRY DRAYTON: What is the basis there, Mr. Hungerford? What is the capital cost there?

Mr. HUNGERFORD: \$140,472.

Sir HENRY DRAYTON: That is "New Construction," but what does this really amount to, on what capital account is this spread, this \$150,000?

Mr. HENRY: That "Roadway Building" represents improvements to existing buildings or new buildings which were not in existence.

Sir HENRY DRAYTON: I understand that, but here we have an expense of \$150,000; I am not saying that is not perfectly right, but I am merely asking that that expense of \$150,000 is incurred in connection with property of what value?

Mr. HENRY: The same thing could be said with respect to that item in respect to station and office buildings. I do not believe we have an absolute list indicating the investment in these specific roadway buildings.

Sir HENRY DRAYTON: You may not have a complete list, but have you any information on the subject?

Mr. HENRY: I think we have a list of all the roadway buildings constructed after a certain date.

Sir HENRY DRAYTON: After what date?

Mr. HENRY: I think 1907, and that would be with respect to those companies which have not been acquired since then, say the Grand Trunk Railway System and the Canadian Northern, but it would not apply to a lot of branch lines which were acquired since that date.

Sir HENRY DRAYTON: There is another case where we do not know. Very well.

The CHAIRMAN: Item 231; "Water Stations". That is reduced from last year. "Fuel Stations".

Sir HENRY DRAYTON: I suppose you are in the same position there as to capital value?

Mr. HENRY: Yes sir.

Sir HENRY DRAYTON: And the same position as to Fuel Stations?

Mr. HENRY: That is right.

Sir HENRY DRAYTON: Now then, "Fuel Station Depreciation".

Mr. COOPER: That again is the St. Clair tunnel.

Sir HENRY DRAYTON: That is a wonderful thing; it is the only thing you know anything about.

The CHAIRMAN: Not absolutely, Sir Henry.

Sir HENRY DRAYTON: Do we know anything else other than in connection with the St. Clair tunnel about this? I do not think we do, but if I am wrong I want to be put right, and here is a good chance to be put right.

Mr. COOPER: The bridge there is the International Bridge. We accrue depreciation on the International Bridge Company in item 209.

Mr. MACKINNON: Then there is item 207.

Mr. COOPER: There are only two properties on which we accrue depreciation on roadway structures; they are the St. Clair tunnel property, and the International Bridge Company. The accountants of these companies are both regulated by the Interstate Commerce Commission.

Mr. MACKINNON: Why do you limit the depreciation to these two companies?

Mr. COOPER: One reason was that under the Transportation Act of 1920, after a certain surplus has been obtained, the balance is divided between the carrier and the United States Government, so that it is to the benefit of the carrier to charge against his account whatever he reasonably can, and for that reason we charge depreciation.

Mr. HENRY: It might be fair to say that in connection with the general question of depreciation it has not been the practice of railway corporations either in Canada or the United States to charge depreciation with respect to items other than equipment, or specific large items, like perhaps special bridges. The reason for that is this, that the ordinary renewals from time to time are made out of operating expenses, and it is assumed whether it is true or not that the ordinary depreciation can be taken care of in this way.

The CHAIRMAN: By maintenance charges?

Mr. HENRY: Yes.

The CHAIRMAN: Would you say that the same practice is being followed in the United States?

Mr. HENRY: Yes.

The CHAIRMAN: They do not charge depreciation on these other items?

Mr. HENRY: No, not on buildings or on roadway.

Sir HENRY DRAYTON: That is a statement which ought to be carefully borne in mind when we consider betterments. Of course, the real truth is that betterments, when not charged to depreciation, are supposed to be charged to maintenance.

The CHAIRMAN: I suppose it is not strictly true that the amounts expended on maintenance really take care of depreciation, or do they?

Mr. HENRY: To a certain extent they do, because you never have your roadway in 100 per cent condition; you always have it in what you might call good operating condition.

The CHAIRMAN: I am speaking of buildings; take a building, for example; you are spending money on maintenance from time to time, but in a general way that building is going down. That is not taken care of by maintenance?

Mr. HENRY: When a specific building is replaced by something else, the book value of the old structure, if ascertainable, is charged to operating expenses, and if not ascertainable it is estimated and charged to operating expenses. On a railroad, however, there are hundreds of these things coming due every year, and except for depreciation due to the average condition, which is never taken up at all, they are taken care of through operating expenses.

Mr. HARRIS: I would like to ask you, Mr. Henry, if that will apply in the final analysis to the Toronto terminal?

Mr. HENRY: I do not quite understand your question.

Mr. HARRIS: When the present Union Station in Toronto is vacated for railway purposes, for the arrival and departure of trains, will that suggestion you now make apply?

Mr. HENRY: With respect to that, that will probably be written off profit and loss.

Mr. HARRIS: Against the revenue accounts?

Mr. HENRY: It would not be written off against the revenue accounts for the specific year. That happens to be in a large terminal company, and you could not write it off through the operating expenses for one specific year, because the expenses are too great.

Mr. HARRIS: How are you going to draw the line?

Mr. HENRY: On a railroad there are thousands of these. In the Toronto Terminal Company there are only a few, and you have to make a distinction there. You ought in that case, to charge each year a certain amount to take care of depreciation.

Mr. HARRIS: That is not being done now?

Mr. HENRY: That I cannot answer.

The CHAIRMAN: That would be in the accounts of the Terminal Company?

Mr. HENRY: That would be in the accounts of the Terminal Company.

Mr. HARRIS: The present terminal is not held in the name of the Toronto Terminal Company?

Mr. HENRY: I think so.

Mr. COOPER: No, the present Union Station was the property of the Grand Trunk.

Mr. HENRY: And is it still in the Grand Trunk?

Mr. COOPER: It is now the Canadian National. If it were to be renewed by the Grand Trunk or the Canadian National, the procedure would be to charge to operating expenses the book value, if it were known.

Mr. HARRIS: It will be renewed that way, in view of the fact that you have your interest in the Toronto Terminals Company?

Mr. HENRY: I do not know how that would be.

Mr. COOPER: Probably it would be retired there and not replaced. Replacing property would belong to another carrier. As far as the Canadian National is concerned, it would probably be retired and not replaced, and under the reclassification that would be chargeable to profit and loss and not to operating expenses. If it were replaced, then the original cost would be a maintenance charge and the difference between that and the new cost would be a betterment.

Sir HENRY DRAYTON: And in that case the difference would be charged to maintenance?

Mr. COOPER: The estimated value of the old structure would be charged to maintenance. The cost of the new structure, less that, would be a property account.

By Sir Henry Drayton:

Q. Under the present arrangement there would be no such charge as maintenance shown?—A. It would go into expenses if the property were replaced.

Q. You do not get the point. It follows from what you said that if the Grand Trunk were putting up a new terminus itself, it would write off the amount of value of the old building and increase Capital Account to the extent of the difference in cost. A. Yes, sir.

Q. In that case, the writing off would appear in Maintenance?—A. Yes.

Q. In the present case, according to your evidence, that practice will not be followed, but the item will appear in the statement, to the extent that it will be given effect to, in the new holding company?—A. The new property would be in the accounts of the new company, but the writing off, of the old company would be in the Capital Account.

Q. But in Profit and Loss and not in Maintenance?—A. That is correct.

Q. The difference in one case is that it appears in Operating Cost and not in the others?—A. That is so.

Q. It appears in such a way that it has not anything to do with operations at all?—A. Yes.

The CHAIRMAN: Any other questions on that item? 235, Shops and Engine Houses. A slight increase there. An increase of over \$100,000. Anything on that? 237, Grain Elevators.

Mr. MACKINNON: The increase would be \$40,000.

Mr. JELLIFF: What is the explanation of the increase in Grain Elevators?

Mr. HENRY: It is due to repairs, last year, of the Portland Elevator.

Mr. JELLIFF: That is one that you are running yourselves?

Mr. HENRY: That is one we are operating ourselves, yes.

The CHAIRMAN: Wharves and Docks, Item 241. About the same as last year. 243, Coal and Ore Wharves. Almost exactly the same. Number 245, Gas Producing Plants, a small item.

Sir HENRY DRAYTON: How did that get down to Maintenance?

Mr. HENRY: It was disposed of, Sir Henry.

The CHAIRMAN: Telegraphs and Telephone Lines.

By Sir Henry Drayton:

Q. As to 245. How did we sell that, at a profit or a loss? What was the result of that sale? You see the reason this is reduced, this carrying cost, is because we sold the gas plant. What is the effect of that? What did it cost and what did we sell it at?

Mr. HENRY: It was because of the decision, or brought about by the decision to change the Canadian Northern equipment from acetylene to Pintsch gas. We still have the old plant, but we are not turning anything out of it. The old plant simply is not running.

Q. What is the actual cost of the old plant?—A. The capital cost?

Q. Yes.—A. Oh, I could not tell you that, Sir Henry.

Q. Does anyone know the capital cost of that or do you want to put that in?

Mr. BROWN: We will have to put it in afterwards.

The CHAIRMAN: Item 247, Telegraph and Telephone lines.

Sir HENRY DRAYTON: The other (245) is to be put in, Mr. Chairman.

The CHAIRMAN: 249, Signals and Interlockers.

Sir HENRY DRAYTON: 247. What is to be said about that? Those are the company's own lines, are they not? Signals and Interlockers, are we putting in any betterments this year, speaking of interlockers?

Mr. HENRY: \$381,000.

Sir HENRY DRAYTON: We have considered that with Item 22.

The CHAIRMAN: 253, Power Plant Building. A small item.—255, Power Substation Buildings. 257, Power Transmission Systems, a big reduction there.

By Sir Henry Drayton:

Q. One word on that question of power. How are we getting along with the proposed electric line from Toronto east to Cobourg. You will remember at the time of the discussion of the Hydro Radials, and the National taking a certain position having regard to the work that was going to be done in Toronto in electrification. How are we getting along with that, Mr. Henry?—

A. That is dependent on an experiment now being made with unit type cars that do not require overhead construction.

Q. Do you remember, Mr. Henry, that the statement was made that the railway had this matter in hand, and that this work was going to be done. How many years ago was that?—A. Well so far as the Niagara Peninsula is concerned—

Q. Do you remember the date that that statement was made? That is a plain question. The statement was made on behalf of the railways, that the railways were going to electrify that district.

The CHAIRMAN: Who made the statement?

Mr. HENRY: I don't think the statement was made, that the railway was going to be electrified.

Sir HENRY DRAYTON: Do you recollect a telegram that was used so much in that campaign?

Mr. HENRY: I think Sir Henry Thornton said that the Canadian National Railway would do its best.

By Sir Henry Drayton:

Q. What was the date of that?—A. I do not recall. Somewhere in the summer of 1923, if my memory serves me right.

Q. And we have not got our experiment under way yet?—A. That is a fact. We have, however, gone ahead with the rehabilitation of the Niagara, St. Catharines and Toronto Railway, and we have gone ahead with the improvement of the Toronto Suburban.

Q. You have not gone very far there?—A. Well, we have gone quite a long way there.

Q. You should look at some of those cars.—A. That is not due to anything over which we have control, Sir Henry.

Q. I do not know whose fault it is, but I know the service we are getting.

By the Chairman:

Q. What is it due to?—A. It is due to the fact that the franchises on certain of those lines are on the point of termination and there is a question whether the municipalities through which these lines run want to take the line over or not.

By Sir Henry Drayton:

Q. Take that Toronto Suburban situation. You are losing a lot of money on it are you not?—A. We are losing a good deal of money.

Q. If the municipalities want to take it over, would it not be infinitely better to let them have it?—A. Well, some of them don't want to take it over and others do. One cannot be let go without the other.

The CHAIRMAN: That is obvious.

By Sir Henry Drayton:

Q. What is your policy in dealing with them, Mr. Henry? Have you made an offer to give it to the municipality, which would mean an awful lot in your pockets if you could get rid of it?—A. We have made an offer and they are now considering the taking over of those lines in Weston and Mount Dennis.

Q. What is the condition of the offer?—A. The terms of the offer are that they may have the lines for \$15,000 in Mount Dennis and \$25,000 in Weston.

Q. Will that give them a city entrance?—A. It will give them a connection with the Transportation Commission, their purpose being to make an arrangement with the Transportation Commission and have that Commission operate its cars over the line.

Q. What is the mileage covered by that total of \$40,000?—A. One is approximately three miles.

Q. I think you told me one was 25 and the other 15 (thousand dollars)?—A. Yes.

Q. How is that reached, that amount?—A. It is based on the scrap value of the material in situ.

Sir HENRY DRAYTON: Then having regard to the general question of electrification, have you been going on with your investigation into that?

Mr. HENRY: Our investigations have been continued to some considerable extent, but generally speaking, it may be safe to say that with the exception of very few segments of the line, the traffic is not of sufficient density at the present time to justify electrification based upon the present cost of power.

The CHAIRMAN: Mr. Harris desired to ask about the other item.

Mr. HARRIS: In regard to the Toronto Eastern: You remember last year you said you were making progress in regard to making up your mind as to where and how you were going to come into Toronto from Oshawa. Have you anything further to say on that?

Mr. HENRY: We have generally come to a conclusion with respect to that, but with respect to the type of construction, whether it be an electric railway or a railway operated by unit cars—electric if you like—has not been decided. There is nothing in the estimates this year to provide for any further work on that line. That has been curtailed for the time being.

Mr. HARRIS: Have you determined by what route you will come into the city of Toronto?

Mr. HENRY: Yes.

Mr. HARRIS: Are you in a position to give that information to the Press and public?

Mr. HENRY: I would rather not at the moment.

Sir HENRY DRAYTON: You own the right of way, do you not?

Mr. HENRY: Oh yes, we own the right of way.

Sir HENRY DRAYTON: Then what is the trouble?

Mr. HENRY: As a matter of fact, we own two rights of way.

Sir HENRY DRAYTON: The only reason for keeping it secret would be the fear that you might be held up. If you own the right of way, there is no reason in the world why this information should be withheld.

Mr. HENRY: There are two possible routes.

Sir HENRY DRAYTON: Yes, and they are both yours.

Mr. HENRY: Yes.

Sir HENRY DRAYTON: Which are you taking?

Mr. HENRY: We are taking the north route for the time being.

Sir HENRY DRAYTON: Will that be until the meeting next year, and then will we slide south?

Mr. HENRY: Things are subject to change due to varying conditions, Sir Henry. There might be conditions arising—

Sir HENRY DRAYTON: I suppose the conditions will be just as they are to-day, but we will have a stall, owing to these "varying conditions", around Toronto, and the great difficulty of doing anything. We will have another stall.

The CHAIRMAN: I do not think that is a fair comment.

Sir HENRY DRAYTON: Why not?

The CHAIRMAN: It is attributing motives to the Railway that perhaps are not fair.

Sir HENRY DRAYTON: I am attributing nothing excepting to the bare fact that nothing has been done. The witness said he knows what the route will be, and then he says "for the time being". It is all determined.

Mr. HARRIS: Last year it was not very clear as to what the north route would be. Will you outline that briefly now?

Mr. HENRY: The north route simply contemplates running from Pickering to Cherrywood, and connecting up with the old Canadian Northern right away.

Mr. HARRIS: Have you any idea of when you will get farther along with this—how long it will take these experiments to mature and give us some service?

Mr. HENRY: I think Mr. Hungerford could answer that.

Mr. HUNGERFORD: I think we will have sufficient experience with additional electrical motor coaches by, perhaps the end of this year.

Mr. HARRIS: So, in January, 1926, we can look for some action?

Mr. HENRY: There is another feature about that, Mr. Harris. That item was cut out of this year's Budget with a view of cutting down capital expenditure. That was the reason for that.

Mr. JELLIFF: Do you think this project will pay, Mr. Henry, or do you think it will add to the deficit?

Mr. HARRIS: Inasmuch as the lines are lying idle there now, we ought to have some revenue from them.

Mr. HENRY: There is a certain additional capital expenditure involved. That capital expenditure probably would run into a million dollars.

Sir HENRY DRAYTON: In the meantime, Mr. Henry, that district is absolutely held up. Would you have any objection to giving the municipalities a chance of doing what they were going to do before the vote, and allowing them to get in on the basis of the scrap value there, and giving the people services?

Mr. HENRY: How do you mean—municipalities?

Sir HENRY DRAYTON: Any of them which will take hold of it.

Mr. HENRY: That would be a matter for consideration, Sir Henry.

Sir HENRY DRAYTON: Do you think it is necessary to consider it? You will not do it yourself, and you keep putting off and putting off, and putting off. Would it not be ordinarily fair to let somebody else go ahead and do the work which you will not do?

Mr. HENRY: There is another question which has a definite bearing on that matter of electrification, and that is the motor bus competition. It has increased to such an extent during the last two or three years that it is questionable to what extent an electric railway, even under the best conditions, can compete, especially when the motor buses do not pay one-tenth of the "fixed charge"—as you might say—which the electric railway has to pay.

Sir HENRY DRAYTON: But that does not answer my question. As a matter of common fairness is there any real reason why the municipalities should not be allowed to go ahead and settle their own local problems when you will not give them any action at all?

Mr. HENRY: I think that is a matter which would have to be answered by the Board.

The CHAIRMAN: I do not suppose you are entitled to speak on that as a policy?

Mr. HENRY: I am not.

Sir HENRY DRAYTON: Perhaps you could tell us whether the policy is to stifle or hold up, or whether it would be to allow municipalities which are so anxious to improve the service, to go ahead and do it?

The CHAIRMAN: I should think that would be a question properly addressed to the President. He is more in charge of the policy than Mr. Henry. That would be fair.

Sir HENRY DRAYTON: Perhaps the facts speak for themselves.

The CHAIRMAN: Take what you can out of it.

Sir HENRY DRAYTON: The trouble is we get nothing out of it; it is all a stall.

The CHAIRMAN: That was item 259; now item 261—

Sir HENRY DRAYTON: I have not finished the question we were discussing, namely, the question of electrification.

The CHAIRMAN: Very well, go ahead.

Sir HENRY DRAYTON: Mr. Henry tells us that it is found that only certain districts have enough density to enable them to utilize power instead of coal. Perhaps he would tell us those districts which have sufficient density?

Mr. HENRY: I think, perhaps, the line between Toronto and Hamilton.

Sir HENRY DRAYTON: What about the line between Hamilton and the Falls?

Mr. HENRY: I do not think the density of that line is sufficient at the present time.

Sir HENRY DRAYTON: But it is sufficient between Toronto and Hamilton.

Mr. HENRY: I think so, but the difficulty of electrifying a short section like that is that you have to do a lot of changing of equipment and trains at both ends; the stretch is not sufficiently long to enable it to be electrified for freight handling purposes.

Sir HENRY DRAYTON: Have you had any offers made to you in connection with electrification?

Mr. HENRY: Any offers?

Sir HENRY DRAYTON: Yes, in connection with the cost of power, or anything else in connection with electrification?

Mr. HENRY: I do not think we have, Sir Henry.

Sir HENRY DRAYTON: I was under the impression that an American corporation was willing to give you guarantees of a change to electricity on a lower cost basis?

Mr. HENRY: I might say that perhaps investigations have been made by some American engineers which purported to indicate that there might have been a saving in electrification of certain sections, but that is all I know of it.

Sir HENRY DRAYTON: What sections were those?

Mr. HENRY: Probably some sections in the province of Quebec.

Sir HENRY DRAYTON: Yes, but which particular sections?

Mr. HENRY: In the city of Montreal—in and around Montreal; one division in both directions.

Sir HENRY DRAYTON: What has been done with the electrification of that section that these American engineers were investigating?

Mr. HENRY: I think the same answer may be given to that as was given to the other, that with the exception of the Montreal terminal itself, there was not sufficient density of traffic on any of the lines radiating out of it, to justify electrification.

Sir HENRY DRAYTON: Did the study of the American engineers lead them to that conclusion?

Mr. HENRY: It did not.

Sir HENRY DRAYTON: What was their study?

Mr. HENRY: Their study was that it would not be justified; it would be about justified, that is to say, it would make 5 or 6 per cent on the investment, or somewhere thereabouts.

Sir HENRY DRAYTON: So that the position there, according to their figures, was that we could make the change and operate with Canadian power instead of imported coal and yet make 5 or 6 per cent on the investment?

Mr. HENRY: On that section we are using Canadian coal.

Sir HENRY DRAYTON: That is a good thing. How big is that section?

Mr. HENRY: 300 or 400 miles, I suppose, taking all the branch lines.

Sir HENRY DRAYTON: You told me you thought the cost was too great, having regard to the price of electricity. What price had you in mind when you made that statement?

Mr. HENRY: The current price is somewhere in the vicinity of \$18, perhaps, considering the quantity we would require.

The CHAIRMAN: At whose instance were those American Engineers brought in, Mr. Henry?

Mr. HENRY: I think they came in at their own suggestion.

The CHAIRMAN: That is rather odd, is it not?

Mr. HENRY: But that was before the amalgamation, and conditions are not similar at present.

Sir HENRY DRAYTON: When you were interrupted by the Chairman you were telling us about power at \$18. Can you go on with that?

Mr. HENRY: I think their estimates were based upon \$18 power.

Sir HENRY DRAYTON: But what was the figure you had in mind?

Mr. HENRY: I had the Niagara Power. The figure I had in mind was \$20.

Sir HENRY DRAYTON: Now, at what figure would it be practicable, in your judgment, to electrify?

Mr. HENRY: On a 30 per cent load factor, probably \$14.

Sir HENRY DRAYTON: So that before you would consider electrification, you think you would have to get your power cost down to \$14?

Mr. HENRY: We would have to get our power cost down to \$14 and have a load factor of say 30 per cent, but if the load factor increased to 50, the conditions would be different.

The CHAIRMAN: I wonder whether we can make any more progress. Take the next item, No. 263, Underground Conduits. There is nothing in that. The next is No. 265, Miscellaneous Structures; No. 267, Paving; No. 269, Roadway Machines.

Sir HENRY DRAYTON: What do you say about roadway machines, Mr. Henry?

Mr. HENRY: Would you like a list of them?

Sir HENRY DRAYTON: What are we doing about those?

Mr. HENRY: There isn't any substantial increase.

Sir HENRY DRAYTON: But what are we doing in connection with road work nowadays?

Mr. HENRY: We do it ourselves. These roadway machines are machines such as handcars, steam shovels, and so on.

Sir HENRY DRAYTON: That is what we have in hand?

Mr. HENRY: Yes, handcars, ditching machines, cement mixers and so forth with which we do our road work.

The CHAIRMAN: It is almost one o'clock now. Is there any possibility of our finishing these items under the heading of Railway Operating Expenses?

Sir HENRY DRAYTON: Let us go on for a while.

The CHAIRMAN: The next is No. 271, Small Tools and Supplies; 272, Removing Snow, Ice and Sand.

Sir HENRY DRAYTON: That item accounts for itself.

The CHAIRMAN: No. 273, Assessments for Public Improvements; No. 274 Injuries to Persons.

Sir HENRY DRAYTON: Injuries to Persons can be discussed later on, not under this item, but other items. We have a very large increase there.

The CHAIRMAN: No. 275, Insurance; No. 276, Stationery and Printing.

Sir HENRY DRAYTON: We can discuss that in connection with other expense items.

The CHAIRMAN: No. 277, Other Expenses; No. 278, Maintaining Joint Tracks, Yards and other Facilities, Dr. and No. 279, Maintaining Joint Tracks, Yards and other Facilities, Cr. I suppose these are bookkeeping entries?

Mr. VAUGHAN: The increase in Item No. 279 is due to the heavy railway programme on the Wabash joint section. No. 279 represents the charge against the Wabash for their proportion of that expense. We charge the expense into the primary accounts, and then give credit in Item 279 for the amount we recover from them for participating charges.

Sir HENRY DRAYTON: Where would rails go, into No. 214?

The CHAIRMAN: Yes. That completes Maintenance of Way and Structures. Before we adjourn, I would like to ask a question. The other day we enquired with regard to the liability of the railway in regard to the construction of the hotel at Regina. I believe a legal opinion was to be obtained. Can you tell us about that, Mr. Hungerford?

Mr. HUNGERFORD: We can get that by our next meeting.

Sir HENRY DRAYTON: That is on the basis that we have no conflict. This thing has been going on in this way just simply to help out.

The CHAIRMAN: Suppose the other Committee does conflict with this Committee, do you wish to meet? We have no quorum to carry a motion now.

Sir HENRY DRAYTON: We have not had a quorum at all, and it is not a matter of surprise that we have not a quorum now.

The CHAIRMAN: If there is a conflict between the meetings of the two Committees, will you leave it at the call of the Chair?

Sir HENRY DRAYTON: Certainly.

The Committee adjourned.

COMMITTEE ROOM 425,
HOUSE OF COMMONS,
THURSDAY, April 30, 1925.

The Select Standing Committee on National Railways and Shipping met at 11.00 o'clock a.m., Mr. Euler, the Chairman, presiding.

The CHAIRMAN: Will the committee please come to order. There were a number of things left over from previous days upon which information was to be supplied. I would like to ask Mr. Henry if he has any of those.

Mr. HENRY: Yes, I have some.

The CHAIRMAN: Have you the legal opinion with regard to that contract concerning the Regina hotel?

Sir HENRY THORNTON: Yes. Mr. Ruel is himself absent in the Maritimes, and this is the opinion of Mr. Chisholm, the assistant general counsel. I would place quite as much reliance on his opinion as on any other.

"By an agreement dated 30th November 1910, between the Grand Trunk Pacific Branch Lines Company and the City of Regina, the City covenanted to grant to the Branch Lines a certain right of way through the city and certain other lands in the city, and to close certain streets for the use of the Branch Lines Company, and the Branch Lines Company covenanted with the City, amongst other things, to erect a passenger station on or near a site mentioned, and also to erect and maintain a first class hotel with all modern appointments in the vicinity of the passenger station."

Mr. HARRIS: What date is that opinion?

Sir HENRY THORNTON: April 29th.

Mr. HARRIS: What year.

Sir HENRY THORNTON: This year.

Mr. HARRIS: I understood there was an opinion that your Legal Department gave at the time you decided to go ahead.

Sir HENRY THORNTON: This is a reiteration of that opinion.

Mr. HARRIS: You have not a copy of that?

Sir HENRY THORNTON: No, but this is the same thing.

The CHAIRMAN: You might let Sir Henry read it, Mr. Harris.

Sir HENRY THORNTON (reading):

"By a later agreement, dated 18th October 1912, between the Branch Lines Company and the City, the Branch Lines Company agreed to erect and have completed by 1st November 1914 a hotel of an area of 160 feet square and not less than seven stories in height, with provision for 225 guest rooms, the whole to cost, in respect of construction and equipment, approximately \$1,000,000, and the City agreed to lease to the Branch Lines Company, for a term of 99 years from 1st November 1912, at a rental of \$25.00 a year, for the purposes of the said hotel, a specified piece of land and to grant to the Branch Lines Company certain exemptions from taxation in respect of the land and the building.

In pursuance of this agreement, the City did lease the land to the Branch Lines Company upon the conditions that the hotel would be erected. The two agreements mentioned and the lease, and also a by-law of the City, authorizing the agreement of 1912, were all ratified by an Act of the Legislature of Saskatchewan, Chap. 65 of the Statutes of 1912-13.

The City performed a number of other things, which were required to be done on its part by the above mentioned agreements, and there is no doubt that there is a legal and binding agreement on the part of the Grand Trunk Pacific Branch Lines Company to build the hotel referred to."

It is signed by W. C. Chisholm, Assistant General Counsel.

Hon. Mr. GRAHAM: That is the Regina hotel?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: That is the legal opinion asked for. Are there any questions on that?

Sir HENRY DRAYTON: It would not be fair to ask Sir Henry (Thornton) questions with regard to that. I might ask, for example, on the question of enforcement, whether or not they think the judgment in the Kingston Cataract case would govern. I think that would be an unfair question, though.

Sir HENRY THORNTON: I think you are right. However, we can have Mr. Ruel here on some convenient day, and anybody can address questions to him.

Sir HENRY DRAYTON: I would think it would be much better in a thing of this kind if you just told us what the situation was.

The CHAIRMAN: Did we not have that a few days ago? Whether we had Mr. Ruel here or Mr. Chisholm, they would give the same thing. I think it is a waste of time to ask about this.

Sir HENRY DRAYTON: Mr. Chairman, while I know you are a very profound lawyer—

The CHAIRMAN: I object, Sir Henry. This is not the first time you have been in a mood to be rather offensive and sarcastic, and I object to it. I say it is a waste of time.

Sir HENRY DRAYTON: There is a great difference between the question of the binding effect of a contract and the enforceability of a contract. This government has got out of things on that same question before. The doctrine of the law of specific performance does not apply except in cases where the courts can conveniently and properly oversee the work of construction.

Mr. KYTE: Would it not be better to discuss that when Mr. Chisholm comes?

Sir HENRY DRAYTON: But the Chairman says it is a waste of time.

The CHAIRMAN: The Committee asked for the legal opinion, and we have it, and I do not see why we should go beyond that. If the committee wishes to, I am quite satisfied, but otherwise I would rule that we have what the committee asked for, and I do not see why we should go beyond it.

Mr. STEWART (Humboldt): I was going to say that this whole matter will likely be gone into when the branch lines are under consideration, and no doubt the validity of the opinion will be questioned at that time.

Sir HENRY THORNTON: I do not think that would come up under branch lines. You must discriminate between branch lines and this corporation which existed at the time this agreement was made, which was called the Grand Trunk Pacific Branch Lines Company. It would not have anything to do with the branch lines which it is proposed to build now.

Hon. Mr. GRAHAM: There is this situation, Sir Henry (Thornton); I think the agreement with Regina made by the railway contains a suggestion, if I remember correctly, that the Canadian National Railway, in pursuance of this agreement, would give reasonable support to the building of a branch line, and that is now on the order paper. I intend to send it to the committee again.

Sir HENRY DRAYTON: Why not send them all to this committee, instead of multiplying the number of committees?

Hon. Mr. GRAHAM: No, we will send them to the Railway Committee. But I think that is what Mr. Stewart has in mind. To the extent which the government is bound to provide money to carry out this suggestion, it would be a matter for the railway company to decide if that is binding in that way. That is the point you had in mind?

Mr. STEWART (Humboldt): That is the point I had in mind, because I was quite sure there was a connection between the branch lines and this opinion.

Hon. Mr. GRAHAM: There is a branch line proposed between Regina and some place around there.

Mr. STEWART (Humboldt): Yes.

Hon. Mr. GRAHAM: The agreement says the Canadian National will give reasonable support—I think that is the word used—to the suggestion that this line be built; in pursuance of that clause in the agreement, the Canadian National felt they were in duty bound to place that on their programme for this year. Now, that is where we are at. It will be for the Railway Committee to decide whether it will be done this year or some other year or what construction there is to put on it, but the company has carried out what it thinks is reasonable.

Mr. STEWART (Humboldt): I am quite sure Sir Henry Drayton will take his usual interest in the branch lines.

Sir HENRY DRAYTON: This is one of these things which I admit only appeals to lawyers and it practically goes to the enforceability of the contract.

The CHAIRMAN: Very well. Let us proceed. I think there were some other figures asked for at the previous sitting. Have you any of those now?

Mr. HENRY: Yes. Here is a memorandum asked for by Sir Henry Drayton.

The CHAIRMAN: Perhaps you could just give it to him.

Mr. STEWART (Humboldt): What does that cover?

Mr. HENRY: That covers the decrease in tonnage on the Grand Trunk passenger line.

Sir HENRY DRAYTON: We wanted to see what the decrease was all over. I can bring that out later on.

Mr. HENRY: Mr. Jelliff asked for a statement of the work done on the various branch lines.

The CHAIRMAN: Let him have that and he can look it over and bring it up later.

Mr. JELLIFF: I would like to have this in the Minutes.

The CHAIRMAN: You could hand it in to the secretary and he can let you have it afterwards.

Mr. JELLIFF: Put it in as part of the record.

Sir HENRY DRAYTON: I suppose this is the same information which agrees with what we have had already previously, if I remember, \$1,600,000.

Mr. HENRY: Yes.

RAILWAYS AND SHIPPING

99

No. 1

GRAND TRUNK WESTERN LINES

COMPARATIVE STATEMENT OF REVENUE TONNAGE BY COMMODITIES

	1924	1923
Products of Agriculture.....	1,403,617	1,397,659
Products of Animals.....	380,431	414,065
Products of Mines.....	5,674,086	5,578,874
Products of Forests.....	1,103,322	1,261,615
Manufactures and Miscellaneous.....	4,458,521	4,805,565
	13,019,977	13,457,778
Included under the heading "Products of Mines" are the following:—		
Anthracite Coal.....	346,782	241,396
Bituminous Coal.....	2,708,128	3,369,551
Clay, Gravel, Sand and Crushed Stone.....	2,136,613	1,472,131
Included under the heading "Manufactures and Miscellaneous" are the following:—		
Refined petroleum and its products.....	499,029	442,858
Iron, pig and bloom.....	86,318	144,334
Bar and Sheet iron, structural iron and iron pipe.....	140,108	196,917
Castings, machinery and boilers.....	158,325	281,899
Cement.....	493,177	365,835
Agricultural implements and vehicles other than autos.....	59,644	34,558
Automobiles and auto trucks.....	490,565	571,157
Other manufactures and miscellaneous.....	1,026,797	1,164,556
Merchandise.....	569,837	652,111

1 (a) MEMORANDUM RE GRAND TRUNK WESTERN LINES DECREASED REVENUES

Freight revenue.....	1923	\$ 26,881,048 78	
	1924	24,394,781 66	
	Decrease.....	2,486,267 12	
			9.2%
Revenue tons.....	1923	13,457,778	
	1924	13,019,977	
	Decrease.....	437,801	
			3.3%
Ton-miles.....	1923	2,020,989,741	
	1924	1,923,620,909	
	Decrease.....	97,368,832	
			4.8%
Average haul.....	1923	150 17	
	1924	147 74	
	Decrease.....	2 43	
			1.6%
Average revenue per ton.....	1923	2 00	
	1924	1 87	
	Decrease.....	0 13	
			6.5%
Average revenue per ton mile.....	1923	Cents 1.330	
	1924	1.268	
	Decrease.....	0.062	
			4.7%
Decrease in ton miles, 97,368,832 at 1.330 cents.....		\$ 1,295,000	
Decrease in rate per ton mile, 1,923,620,909 at .062 cents.....		1,192,000	
		2,487,000	
<i>Reductions—</i>			
Agricultural products.....	\$	235,000	
Animal products.....		100,000	
Coal and mine products.....		745,000	
Lumber and logs.....		300,000	
Manufactured steel, autos, paper, etc.....	1,300,000		
L. C. D.....		500,000	
Decreased rates.....		100,000	
			3,280,000
<i>Increases—</i>			
Fruit and vegetables.....		200,000	
Sugar.....		60,000	
Cement and oil.....		150,000	
Sand and gravel.....		400,000	
			810,000
		\$ 2,470,000	

STATEMENT OF WORK DONE AND EXPENDITURES MADE DURING THE CALENDAR YEAR 1924 ON THE VARIOUS BRANCH LINES OF THE CANADIAN NATIONAL RAILWAYS

Name of Branch	Grading Per cent	Track-laying Miles	Ballast-ing Miles	Telegraph Line Miles	Fencing Miles	Building Number	Loading Platform Number	Expenditure
								\$
Cowichan Bay.....	23							48,076 51
Dunblane-Central Butte.....	59							171,842 99
Eston S. E.....								497 65
Acadia Valley.....								1,081 67
Grande Fresniere.....	96	11-5	5-0	4-5	11-9			327,781 58
Gravelbourg Extension.....		10-2	11-1	10-7	10-2			105,193 05
Hanna-Warden.....	13	0-9						96,708 28
Kamloops-Kelowna.....		0-5						67,430 40
Kingsclear-Vanceboro.....								7,864 30
Lockeport Spur.....								2,665 00
Loverna Westerly.....	22							85,780 82
Peebles Southerly.....	100	21-9	22-4	22-4		1	3	252,219 17
Pine Falls.....								10 00
Prince Albert, N.E.....	100	23-94		17-0	3-6		2	265,046 75
St. Paul, S.E.....				18-0				509 37
Ste. Rose du Lac.....		22-56						218,043 65
		91-5	38-5	72-6	25-7	1	5	1,650,751 49

April 22, 1925.

The CHAIRMAN: Is that all?

Mr. HENRY: The next is a statement of taxes asked for by Mr. Stewart.

The CHAIRMAN: We will have that in too.

CANADIAN NATIONAL RAILWAYS

STATEMENT SHOWING THE AMOUNT OF RAILWAY TAX ACCRUALS APPLICABLE TO EACH REGION, YEAR 1924

Atlantic Region.....	\$ 19,488 40
Central region.....	2,017,953 03
Grand Trunk lines in New England.....	211,195 76
Grand Trunk Western Lines.....	1,204,238 26
Western region.....	1,028,097 30
Duluth, Winnipeg & Pacific Railway.....	107,620 81
Total for year.....	\$ 4,588,593 56

Sir HENRY THORNTON: This is a statement asked for by Mr. Jelliff *re* hotels, showing the amount invested and the result of operations for the year 1924.

CANADIAN NATIONAL RAILWAYS

STATEMENT RE HOTELS SHOWING AMOUNT INVESTED AND RESULT OF OPERATIONS, YEAR 1924

	Investment		Revenue		Expenses		Taxes		Net	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.
Chateau Laurier, Ottawa, Ont.	2,608,993	51	688,917	98	620,963	15	19,760	70	48,194	13
Highland Inn and Camps, Algonquin Park, Ont.....	196,798	57	54,002	12	74,621	33			*20,619	21
Prince Arthur, Port Arthur, Ont.....	1,118,346	31	136,441	85	166,974	32	8,437	31	*38,969	78
Nipigon Lodge, Nipigon, Ont.	62,273	31	4,110	85	6,891	74			*2,780	89
Minaki Inn, Minaki, Ont.....	364,246	19	24,904	11	50,978	75	2	62	*26,077	26
Fort Garry, Winnipeg, Man...	2,771,802	61	357,925	63	526,365	37	25,393	35	*193,833	09
Prince Edward, Brandon, Man.	500,293	27	83,910	34	107,080	75	1,667	19	*24,837	60
†Grand Beach, Grand Beach, Man.....	223,301	60	6,827	82	175	89			6,651	93
Macdonald, Edmonton, Alta..	2,171,538	42	311,689	01	363,868	53	3,497	00	*55,676	52
Jasper Park, Jasper, Alta.....	901,445	01	126,549	67	115,019	58	1,520	00	10,010	09
	10,919,038	80	1,795,279	38	2,032,939	41	60,278	17	*297,938	20

†Grand Beach Hotel operates Canada Railway News Company under agreement.

*Signifies loss.

Mr. HENRY: Here is a detailed statement of the interest on the funded debt.

Sir HENRY THORNTON: Here is a statement with respect to the increase in the funded debt asked for by Sir Henry Drayton, itemized.

Acct.		Amount	Per cent
546	<i>Interest on Funded Debt: Increase</i>	\$ 3,320,323 86	9-5
	Decreased interest on Can. Nor. Equip. Trust Notes Series "A" to "D" inclusive account of repayments during the year 1924.....	162,000 ---	
	Decreased interest on Can. Nor. Equip. Trust Notes Series "F-1 to "L-1" inclusive account notes matured during the years 1923 and 1924.....	21,000 ---	
	Decreased interest on Can. Nor. 5-year Secured Notes matured Dec. 1, 1924.....	27,500 ---	
	Decreased interest on Can. Nor. 5-year collateral trust notes matured Aug. 1, 1924.....	108,725 ---	
	Decreased interest on Grand Trunk Equip. Trust Notes Series "C" and "D" and U.S.R.A.....	22,000 ---	
	Increased interest on Can. Nat. Equip. Trust Series "G" issued Aug. 1, 1923.....	621,000	
	Increased interest on Can. Nat. 30-year 5 per cent Bonds issued Feb. 1, 1924.....	2,262,000	
	Increased interest on Can. Nat. Equip. Trust Series "H" issued July 1, 1924.....	161,000	
	Increased interest on Can. Nat. 3-year 4 per cent Notes issued July 1, 1924.....	306,000	
	Increased interest on Can. Nat. 30-year 4½ per cent Bonds issued Sept. 15, 1924.....	335,000	
	Decreased interest on G.T.W. Equip. Notes account repayment on Jan. 15, 1924.....	12,000 ---	
546A	<i>Interest on Dominion Govt. Advances: Increase</i>	1,113,099 33	3-7
	Due to increased interest on G.T. 1921/1922 Vote 126, principal adjusted 1923 accounts.....	57,000	
	Due to increased interest on G.T. 1922/1923 Vote 137, advances made in 1923 accounts.....	267,000	
	Due to increased interest on G.T. 1923/1924 Vote 139, advances made in 1923 accounts.....	21,000	
	Due to increased interest on G.T. 1924/1925 Vote 137, advances made in 1924 accounts.....	11,000	
	Due to increased interest on Receiver's Certificates additional advances.....	233,000	
	Due to increased interest on Can. Nor. 1921/1922 G.T.P. Vote 126 principal adjusted 1923 accounts.....	19,000 ---	
	Due to increased interest on Can. Nor. 1922/1923 Vote 136 advances made in 1923 accounts.....	111,000	
	Increased interest on Can. Nor. 1922/1923 Vote 115, advances made in 1923 accounts.....	24,000	
	Increased interest on Can. Nor. 1923/1924 Vote 139, advances made in 1923 accounts.....	472,000	
	Increased interest on Can. Nor. 1924/1925 Vote 137, advances made in 1924 accounts.....	241,000	
	Increased interest on Can. Nat. 1924/1925 Vote 137, advances made in 1924 accounts.....	14,000	
	Interest due by Dom. Govt. on loan made Sept. 18, 1924.....	210,000 ---	
	Interest due by Dom. Govt. No. similar credit in 1923 accounts.....	106,000 ---	

(--- means in red letters).

Here is a statement showing the number of Canadians and Americans employed in the Sleeping and Dining Car Department. Mr. Harris asked for that.

CANADIAN NATIONAL RAILWAYS

SLEEPING AND DINING CAR DEPARTMENT

Statement showing number of Canadians and Americans employed in this Department

	Headquarters		Atlantic Region		Central Reg.—Montreal		Central Reg.—Toronto		Western Region		Total	
	Canadians	Americans	Canadians	Americans	Canadians	Americans	Canadians	Americans	Canadians	Americans	Canadians	Americans
Office, Agents and Storeroom Staffs.....	51	.....	39	.....	42	1	41	7	71	1	244	9
S. C. Conductors.....	25	.....	14	1	4	.....	22	.....	65	1
Porters.....	53	1	48	20	36	27	43	91	180	139
Stewards.....	5	.....	21	1	28	.....	17	4	42	.....	113	5
Chefs.....	13	2	16	5	11	10	33	1	73	18
Second Cooks.....	28	.....	26	4	21	11	19	.....	94	15
Third Cooks.....	13	.....	6	.....	8	5	7	1	34	6
Waiters.....	39	.....	35	6	11	50	54	1	139	57
Pantrymen.....	15	.....	9	.....	.....	.....	16	1	40	1
L. C. Attendants.....	7	.....	7	.....
Totals.....	56	.....	246	4	224	37	149	114	314	96	989	251
PULLMAN COMPANY—
S. C. Conductors.....	21	6
Porters.....	29	50
Grand Totals.....	1,039	307

Montreal, April 27, 1925.

Note.—This statement compiled on citizenship of employees at time of entry into service; no information being available here as to present citizenship of employees in service over period of three years as to whether they have become naturalized Canadians.

Here is a statement of interest on construction expenditure during the year 1924 chargeable to capital and credited to Income Account. Sir Henry Drayton asked for that.

CANADIAN NATIONAL RAILWAYS

STATEMENT OF INTEREST ON CONSTRUCTION EXPENDITURES DURING THE YEAR 1924 CHARGEABLE TO CAPITAL AND CREDITED TO INCOME A/C 515

3,426 84	Diversion of track mile post 94.5—101.6 Sprague Subdivision.
7,144 76	Second main line mile post 21.8—31.2 Kashabowie Subdivision.
2,857 77	Mile post 31—34.6 Second Main line, Kashabowie S.D.
7,217 90	Jasper Park Buildings, grounds, water supply and other improvements.
1,245 93	New Yard and Engine facilities at James Bay Junction.
8,140 10	Grand Mere and Donaconna cut off.
1,149 86	Steel viaduct mile post 232.8 Miniota S.D.
2,575 02	Extension of yard facilities at Jasper.
4,243 17	Relaying track M.P. 1044.9—1062.7 Albreda S.D.
1,868 87	Golf Course at Minaki Inn.
16,732 95	Nakina terminals on Long Lac cut off.
1,288 23	New general stores at Pt. St. Charles.
1,354 72	Subway at Bloor St., Toronto.
5,389 76	Subway at Bloor St., Toronto.
1,219 17	Siding Dunn Sulphite Paper Co., Grand Trunk Western Lines.
662 47	D. W. & P. Ry. construction work.

66,517 52

Here is a statement showing the ages and number of timber trestles in existence at December 31st, 1924. Sir Henry Drayton asked for that.

Sir HENRY DRAYTON: That is the 90 miles?

Sir HENRY THORNTON: Yes.

CANADIAN NATIONAL RAILWAYS

STATEMENT OF TIMBER TRESTLES IN EXISTENCE, AT DECEMBER 31ST, 1924

Year Constructed	Number	Length
		lin. ft.
1911 or earlier.....	1,192	112,684
1912.....	340	48,177
1913.....	534	75,427
1914.....	390	52,325
1915.....	214	22,814
1916.....	163	13,396
1917.....	624	45,427
1918.....	88	5,945
1919.....	111	10,529
1920.....	120	11,200
1921.....	189	26,951
1922.....	130	16,215
1923.....	258	26,608
1924.....	29	4,301
Replaced 1924.....	4,682	472,099
	169	31,449
Total existing Dec. 31st, 1924.....	4,513	440,650

COST OF REPLACING TIMBER BRIDGES AND TRESTLES DURING 1924

Amount charged to Capital	Amount charged to maintenance	Total
\$ 1,107,765 00	\$ 427,946 00	\$ 1,535,711 00

Ottawa, Ont., April 29, 1925.

Mr. Harris asked for some information in regard to rails. I was not here but anyway this is the answer to it.

Hon. Mr. GRAHAM: Mr. Harris was asking about the number of rails purchased and the other material used. You were trying to make a comparison between the rails purchased and the other material for either rebuilding or repairing the right-of-way.

Mr. HARRIS: Yes.

Account	Amount	Percent
214 Rails:	\$	
Increase.....	958,633 38	35.4
Increased tonnage of rail laid.....	569,000 00	
Increase in price per ton from \$37.76 to \$40.64.....	520,000 00	
Increased credit due to more partly-work rail lifted.....	*369,000 00	
Decreased credit on sale of scrap rail.....	144,000 00	
Inventory adjustments.....	66,000 00	

(*In Red).

There was another question Sir Henry Drayton asked: The percentage of capital and maintenance of the cost of rock ballasting between Dominion and Vaudreuil. This is now furnished.

"The percentage of Capital and Maintenance of the cost of rock ballasting between Dominion and Vaudreuil is as follows:

Capital 37.9 per cent
 Maintenance 62.1 per cent

Ottawa, April 29th, 1925."

The CHAIRMAN: Does the Committee desire these all to go on the record?

Sir HENRY DRAYTON: Yes.

Sir HENRY THORNTON: I am producing now an extract from classification of operating revenues of steam roads, prescribed by the Minister of Railways and Canals, effective on July 1st, 1915.

EXTRACT FROM CLASSIFICATION OF OPERATING REVENUES AND OPERATING EXPENSES OF STEAM ROADS, PRESCRIBED BY THE MINISTER OF RAILWAYS AND CANALS, EFFECTIVE ON JULY 1, 1915.

201. Superintendence

This account shall include:—

Pay of Officers.—The pay of Officers directly in charge of or engaged in the maintenance of roadway and structures.

List of Officers

Vice-president, assistant vice-president, general manager, assistant general manager, general superintendent, assistant general superintendent, chief engineer, engineer, division engineer, bridge engineer, chief signal engineer, assistant engineers, architect, roadmaster, assistant roadmaster, master carpenter, assistant master carpenter, master mason, superintendent of roadway structures, superintendent of scales, inspector of maintenance, building inspector, inspector of roadway stores, supervisor, assistant supervisor, fire chief, fire inspector, sanitary inspector.

Pay of Clerks and Attendants.—The pay of clerks and other employees in the offices and on the business cars of Officers whose pay is chargeable to this account.

List of Employees

Chief clerk, draftsman, clerks, stenographers, transitmen, levelmen, rodmen, chairmen, axemen, janitors, messengers, cooks, porters.

Office and other expenses.—Office Expenses and other expenses of Officers and employees whose pay is chargeable to this account; also amounts paid detective agencies and others for investigations in connection with maintenance of way and structures.

Items of Expenses and Supplies

Atlases and maps, books for office use, business car service, fees and dues in associations, furniture repairs and renewals, heating, lighting, official train service, periodicals and newspapers, power, provisions for business cars, rent of offices, repair of rented offices, telegraph service, telephone service, travelling expense, water and ice.

Supplies for Technical Assistants

Barometers, books and maps, boxes for materials and instruments, cameras, camp equipage, chains for surveyors, compasses, curves, drafting boards, drafting instruments, field glasses, field notebooks, hatchets, levels, magnets, magnifiers, marking chalk, oilstones, paper, blue print, parallel rules, photographic supplies, plane tables, planimeters, plummets, protractors, ranging poles, reading glasses, rods for surveyors, scales, sextants, section liners, slide rules, stakes, straight edges, tally registers, tape lines, tee-squares, telescopes, thermometers, thumb tacks, tracing linen, transits, tracers' tables, triangles, tripods, verniers.

NOTE A.—When employees designated above are engaged on construction or other work not chargeable to Maintenance of Way and Structures, their pay and expenses while thus employed shall be charged to the specific work on which engaged.

NOTE B.—When Officers designated above have supervision over more than one department, their salaries, the pay of their clerks and attendants, and their office and other expenses shall be apportioned equally among the departments over which they have supervision.

NOTE C.—No part of the pay and expenses of the Officers and employees designated above shall be charged to other primary accounts under Maintenance of Way and Structures.

NOTE D.—The cost of stationery for Maintenance of Way and Structures offices is chargeable to Account No. 276 "Stationery and printing."

EXTRACTS FROM CLASSIFICATION OF INVESTMENT IN ROAD AND EQUIPMENT OF STEAM ROADS, PRESCRIBED BY THE INTER-STATE COMMERCE COMMISSION IN ACCORDANCE WITH SECTION 20 OF THE ACT TO REGULATE COMMERCE, ISSUE OF 1914, EFFECTIVE JULY 1, 1914.

6. Bridges, Trestles and Culverts

This account shall include the cost of the substructure and superstructure of bridges, trestles and culverts which carry the tracks of the carrier over watercourses, ravines, public and private highways, and other railways.

SELECT STANDING COMMITTEE

DETAILS OF BRIDGE STRUCTURES

(See general instruction, Section 13)

Abutments, bridge signs, cofferdams, concrete and masonry ends for culverts, cribs, decking, including gravel for fire protection, dike protection, drainage systems, draw protection, drawbridge engines and machinery, false work, guard timbers, ice breakers, painting (except repainting), pier protection, piers and foundations, pipe culverts, retaining walls, riprap around abutments, riprap at culvert ends, supports, water channels, waterproofing, wing dams, wing walls.

NOTE A.—When a part or the entire structure of a bridge or trestle is converted, by filling, into an earth embankment, the ledger value of the structure, or of the portion thereof filled, shall be credited to this account. In case the bridge or trestle is used in lieu of a temporary trestle for the purpose of filling, the estimated cost of such temporary trestle shall be charged to account No. 3, "Grading." The ledger value of the structure, or portion thereof, filled, less the value of the salvage and the estimated cost of trestle charged to account No. 3, shall be charged to Operating Expenses.

NOTE B.—The cost of bridges to carry the carrier's tracks over undergrade crossings, including the necessary piers and abutments for sustaining them, shall be included in this account, but the cost of undergrade roadways, paving on right of way, drainage systems, and retaining walls outside of the bridge abutments, shall be included in account No. 15, "Crossings and signs."

EXTRACT FROM CLASSIFICATION OF OPERATING REVENUES
AND OPERATING EXPENSES OF STEAM ROADS, PRESCRIBED
BY THE MINISTER OF RAILWAYS AND CANALS, EFFECTIVE
ON JULY 1, 1915.

208. *Bridges, Trestles and Culverts*

This account shall include the cost of repairing (including fuel and supplies used) and watching bridges, trestles and culverts, including altering and bracing during process of filling, removing old structures in connection with the construction of new structures, dredging and cleaning water channels for protection, and cleaning culverts.

The bridges, trestles and culverts referred to in this account include only structures which carry the carrier's own tracks.

DETAILS OF BRIDGE STRUCTURES

Abutments, bridge signs, cofferdams, concrete and masonry ends for culverts, cribs, decking, including gravel for fire protection, dike protection, drainage protection, draw protection, drawbridge engines and machinery, false work, guard timbers, ice breaker, painting, pier protection, piers and foundations, pipe culverts, retaining walls, riprap around abutments, riprap at culvert ends, supports, water channels, waterproofing, wing dams, wing walls.

NOTE.—When a part or the entire structure of a bridge or trestle is converted, by filling, into an earth embankment, the ledger value of the structure, or of the portion thereof filled, shall be credited to road and equipment account No. 6 "Bridges, trestles and culverts." In case the bridge is used in lieu of a temporary trestle for the purpose of filling, the estimated cost of such temporary trestle shall be charged to road and equipment account No. 3 "Grading." The ledger value of the structure or portion thereof, filled, less the value of the salvage and the estimated cost of trestle charged to road and equipment account No. 3, "Grading," shall be charged to this account.

Sir HENRY DRAYTON: That is running back to the source.

Sir HENRY THORNTON: I believe that is all we have this morning.

Mr. STEWART (Humboldt): I want to ask if they have the notes of a few more questions.

Sir HENRY THORNTON: This is the first instalment.

Sir HENRY DRAYTON: I think you are doing well.

The CHAIRMAN: We were following the definite method of going page by page and item by item and we hope to continue that. I would like to suggest that Mr. Robb is here this morning and we would like if it is possible to go on with this particular branch of the work. That would involve our taking up page 20, the lower part of the page. If the Committee is satisfied to do that we will go on with that sub-head.

Sir HENRY THORNTON: If it would be convenient now to take up "Traffic Expenses," that would release Mr. Robb and Mr. Dalrymple.

Sir HENRY DRAYTON: I think we ought to suit the convenience of the officials.

The CHAIRMAN: Item 351, page 20, Superintendence \$1,875,602.24.

Mr. JELLIFF: What is the cause of the increase in this item?

The CHAIRMAN: Mr. Jelliff would like to know why the item is increased.

Mr. DALRYMPLE: There is a little bit of a history attached to this particular item as well as to some of the other items. As the Members of the Committee probably know, prior to consolidation, the Grand Trunk section of what is now the Canadian National Railways and also the Canadian National section was more or less for a period of years in a state of flux. The organization, during the period of the War and following, in the United States was entertained on a skeleton basis. That was largely true in so far as Canada was concerned therefore when the consolidation took place we found ourselves with a depleted traffic organization and this increase is a result of bringing our force and our organization up to strength. It consists of staff in new offices; new staff in old offices; increase in salaries of old staff; increase rentals; personal expense accounts for new staff; increase in general expenses.

Sir HENRY DRAYTON: I think it would be convenient, perhaps, at this point if you would give us a skeleton of your organization, superintendence of traffic.

Mr. DALRYMPLE: We will start in with the Vice-President, Assistant to Vice-President, the freight end of it; General Freight Traffic Manager.

Sir HENRY DRAYTON: Look at the Traffic and Express Department.

The CHAIRMAN: What page is that?

Sir HENRY DRAYTON: Page 4, of the report.

Mr. DALRYMPLE: That only includes the general officers, Sir Henry. It does not include the division freight agents or the general freight agents or the general passenger agents or the district men.

Sir HENRY DRAYTON: Give us the number of those officers and the places where they are situated.

Mr. DALRYMPLE: We would be very glad to do so. It will be taken out of the record, of course.

The CHAIRMAN: The next item is "Outside Agency." There is some increase there, \$205,000.

Mr. DALRYMPLE: \$225,297.95. The largest increase in that is in passenger. It also consists of temporary employees, employees engaged during the summer of 1924, staff increase over 1923 and the same general purposes

as I have explained on the previous item; also new offices and increased staff in the old offices. Item 352, as distinguished from 351, includes outside agencies.

Sir HENRY DRAYTON: Mr. Dalrymple, could you kindly give us the percentages of those expenses on passenger on the one hand and on freight on the other?

Sir HENRY THORNTON: The percentages of what?

Sir HENRY DRAYTON: The percentages of how much is freight and how much is passenger.

Mr. DALRYMPLE: For the item 352.

Sir HENRY DRAYTON: Yes.

Mr. DALRYMPLE: The increase in freight was \$89,000; in passenger, \$135,000; about 40 to 60.

Sir HENRY DRAYTON: At what points was the increase of \$135,000 made?

Mr. DALRYMPLE: New offices were opened at Sherbrooke, at South Hampton, England, at Paris, at Belfast, at Cardiff, and in addition to that there were certain adjustments on forty-eight members of the staff.

Sir HENRY DRAYTON: Does this include all the expense of these new offices?

Mr. DALRYMPLE: It includes the staff in the new offices.

Sir HENRY DRAYTON: For example how much is set aside for the office in Paris?

Mr. DALRYMPLE: The staff only includes the clerical staff in the office in Paris, the employees in the office.

Sir HENRY DRAYTON: Are you in position to give us the total cost of the maintenance of the Parisian office?

Mr. DALRYMPLE: I can give you the total payroll. We have only been going there for a matter of a portion of the year 1924.

Sir HENRY DRAYTON: You know what your estimate is?

Mr. DALRYMPLE: Yes.

Sir HENRY DRAYTON: You can give us that and the cost of the London office too?

Mr. DALRYMPLE: Yes.

Sir HENRY DRAYTON: How much is the increase in the London office?

Mr. DALRYMPLE: It does not seem to be reflected specifically there. My recollection is that the London office is calculated on the same basis for 1924 as for 1923.

Sir HENRY DRAYTON: It was not in the executive cost in London?

Mr. DALRYMPLE: Not for 1924.

Sir HENRY DRAYTON: What I am speaking of—I forget where I saw it—Mr. Smith was there as Vice President?

Mr. DALRYMPLE: Yes.

Sir HENRY DRAYTON: At a salary of \$25,000 a year with a free house.

Sir HENRY THORNTON: Where did you get that idea?

Sir HENRY DRAYTON: I do not know. I cannot recollect.

Sir HENRY THORNTON: You have a wonderful imagination.

Sir HENRY DRAYTON: He does get \$25,000.

Sir HENRY THORNTON: That is quite right. However, in that connection it is only fair to say that Mr. Smith was in charge of our warehouse at a salary

of \$15,000 a year and that position is absorbed in the present organization. No one was appointed to fill his place.

Sir HENRY DRAYTON: You mean his local salary here?

Sir HENRY THORNTON: Yes. I do not just remember how it balances but my recollection is that there was no increased expenditure involved in the aggregate.

Sir HENRY DRAYTON: There is another question. Is that subject to the British Income Tax?

Sir HENRY THORNTON: He would have to pay the Income Tax. My understanding of the British Income Tax is—I am not quite sure about this, but any resident of England is, of course, assessed his appropriate tax under the English Law but he may off-set that tax, credit to it what tax he may pay to his native country; if it is more than the British Income Tax or if it is equal to it he pays nothing. If it is less he pays the difference. I think that is the Law.

Sir HENRY DRAYTON: Are you sure of that item. Does he pay the difference.

Sir HENRY THORNTON: We arrange to pay his Income Tax do we not?

Mr. DALRYMPLE: I do not know anything about that.

Sir HENRY THORNTON: You are right. He pays the difference. I am not sure about that.

Sir HENRY DRAYTON: We were getting the differences between the passenger costs and the freight costs. What is the whole total there?

Sir HENRY THORNTON: Let me correct that, I remember now; Mr. Smith pays the Canadian Income Tax. If he should be assessed any more by virtue of his residence in England then we pay the difference. In other words he is in no different position than if he remained here.

Sir HENRY DRAYTON: He is only \$10,000 better off.

Sir HENRY THORNTON: No.

Sir HENRY DRAYTON: He got \$15,000 here.

Sir HENRY THORNTON: If he were living here at a salary of \$25,000.

Sir HENRY DRAYTON: That is quite right.

By Mr. Jelliff:

Q. What are the duties which he performs to justify him receiving a salary of that magnitude, in comparison with the position he held here?

Sir HENRY DRAYTON: He has charge of traffic and other affairs in Europe, including the Canadian Government Merchant Marine.

By Mr. Kyte:

Q. Did he take the place of someone else, who has left London?

Sir HENRY THORNTON: Yes, Mr. Phelps. We call him "European General Manager."

The CHAIRMAN: It is my impression that it had always been the practice in the House not to go into details of salaries of officers. It has not been considered advisable. I may be wrong, but if that is the practice in the House, it ought to obtain in Committee, because the proceedings here are just as public as the proceedings in the House.

Sir HENRY THORNTON: I have no objection to discussing this, and I do not think Mr. Phelps has. But broadly speaking, I do not think it is consistent with good business to discuss the salaries of officers, in public, unless there is some very pressing reason for doing so. I think a National Railway officer is entitled to a reasonable degree, to the same privacy, as he would be if he were an officer of a private railway company.

Sir HENRY DRAYTON: But the officers of private railway companies have not always been so regarded. Take the situation as it was in United States territory in 1917. I think you will agree with me that the whole thing was made public having regard to all salaries, up to and over \$20,000 a year.

Sir HENRY THORNTON: It was. And a very contemptible piece of business; an utter disgrace.

Sir HENRY DRAYTON: Tell us why?

Sir HENRY THORNTON: Because I think an officer who is performing his duties conscientiously—I think all of us have a certain feeling that we do not care to have our private affairs bandied about from one end of the country to the other, I do not care where it is.

Sir HENRY DRAYTON: Let us follow that up. There is the question of the duty performed. Is there anything private except the amount of remuneration paid?

Sir HENRY THORNTON: Yes, a good many of the questions with respect to salaries are asked for, for ulterior purposes. They are asked for the purpose of trying to make some cheap capital out of it for political reasons and I object to that distinctly.

Sir HENRY DRAYTON: Let us follow it up though. There is a certain knowledge given to the people of the amount of money they are paying for the services rendered.

Sir HENRY THORNTON: But if the stockholders of any company have not sufficient confidence in the administration to believe that the salaries of officers are commensurate with the services performed, then should they not recall the administration?

The CHAIRMAN: May I interject this: this question I understand would not be answered in the House if it were placed on the Order paper. You may or may not agree with that, but if that is the attitude in the House, I would just like to ask the opinion of the members of the Committee whether they do not think that we should observe the same practice in Committee? Because we will absolutely violate the whole intention of that practice in the House if we dig into the question of salaries here. I am not trying to suppress any information but I would like that point settled and if it is not advisable to mention these salaries here, do not let us start it.

Mr. KYTE: In this case the judgment of Sir Henry Thornton would prevail; he had no objection to mentioning the salary of Mr. Smith.

The CHAIRMAN: If there are others he considers it advisable not to answer, he may decline?

Mr. KYTE: I would think so.

Sir HENRY THORNTON: If any gentleman has any doubt in his own mind about any question of salaries, I will be glad to discuss the matter with him and tell him anything he wants to know.

Sir HENRY DRAYTON: I think it was last year, in connection with these items, you yourself said you had not yet achieved the condition of economy that you hoped, and in the item of General Expenses comes this question of large salaries. Now whether it has worked out well or not, I do not know, but I know of no place where the information given then did any harm. It seems to me that anyone who is getting over \$20,000 a year should not be ashamed of giving evidence as to the value of his services.

Sir HENRY THORNTON: No, he probably would not be, but he might be ashamed because he quite properly felt that he was working for less than he should receive.

Sir HENRY DRAYTON: He might, but I do not think he would be very much hurt by that.

The CHAIRMAN: Are we through with this one item of Mr. Smith?

Sir HENRY DRAYTON: We are getting the cost of outside agencies, passenger and freight.

The WITNESS (Mr. Dalrymple): The percentage of traffic expense, excluding colonization, was 42.8 on freight and 57.2 on passenger. That is exclusive of colonization.

By Sir Henry Drayton:

Q. That was to come up in connection with Mr. Robb's service?—A. Yes, sir.

Q. Perhaps it would be easier for you if you would give us details of where that 57.2 comes in, what points?—A. It covers the entire system, all points. I have them here classified under the various headings, in accordance with the method of keeping our accounts: Superintendence, Outside Agencies, Advertising, Traffic Associations, Industrial Department and so on, but to give it to you for all agencies means that we would cover the entire system.

Q. You need not do it for all agencies. That would be too much work. Supposing you give it so that we get an idea of where the weight of the money goes?—A. The weight of the money of course goes to headquarters. We have a great many agencies outside. They are all listed in the blue folder.

Q. Supposing you were to give us the cost of maintaining passenger agencies where the cost ran over \$20,000 a year; that would not take long?—A. I can do that.

Q. Over \$20,000.—A. All right.

Q. I want to make it as easy as I can.—A. What do you want to include in that, the total expenses?

Q. Yes. We have to vote this money and we want to know what we are voting it for.—A. All right, sir.

The CHAIRMAN: Anything more in that item? The next one, Advertising?

The WITNESS: I believe the subject of Advertising was previously discussed before this Committee.

Sir HENRY THORNTON: We were to give you a list, were we not?

Sir HENRY DRAYTON: Last year this is one of the things that I agreed might hurt the system if it was made public. There might be points where it would hurt, and there might be points where it would not hurt at all. Last year Mr. Thompson, was it not, went through that with Mr. Stewart and myself, and I think Mr. Stork. We went through the whole thing and checked it off and dropped the enquiry. I am perfectly content that that procedure should be followed this year.

The CHAIRMAN: Is that your desire, that that procedure would be followed? Taken for granted.

Sir HENRY DRAYTON: We had three representatives.

The CHAIRMAN: Whom would you suggest as representing the Committee? The same as last year? That is Mr. Stewart, Mr. Stork and yourself, Sir Henry?

Sir HENRY DRAYTON: Yes. I thought that time would be saved in that way and we took Advertising, Stationery and Printing.

The CHAIRMAN: Very well, we will add, Advertising, Stationery and Printing. The next item is Traffic Associations. What is the meaning of that?

Mr. ROBB: It represents the membership of the Canadian National Railways in the various traffic associations throughout the country; for instance the Transcontinental, the Canadian Freight Association, the Canadian Passenger

Association, the Central Freight Association in Chicago, and the Central Passenger Association in Chicago; and in a small way, the Western Traffic Association. They print joint tariffs between all railways, practically, on Transcontinental business, covering all the country.

Sir HENRY DRAYTON: I do not see how you can get along without it.

The WITNES: We cannot get along without it. In fact the Interstate Commerce Commission insist on it so far as United States tariffs are concerned.

By Mr. Stewart (Humboldt):

Q. On what basis is that?—A. On a pro rata basis. For instance in Canada there is a certain collection from the Michigan Central, Pere Marquette, the Wabash, and these lateral lines, and the balance is divided fifty fifty by the Canadian Pacific and the National.

The CHAIRMAN: The next item is Industrial and Immigration Bureaus.

Mr. DALRYMPLE: The traffic department has only one item in there that amounts to an increase of \$1,035, which is an increase in salaries in that particular department. The balance is British Empire Exhibition and Colonization.

Sir HENRY DRAYTON: That would be explained by Mr. Robb.

The CHAIRMAN: Yes. The next is Insurance.

Sir HENRY DRAYTON: We have not anything to do with Insurance.

Mr. ROBB: Insurance is a decrease.

The CHAIRMAN: Number 359, Other Expenses. There is an increase there.

Mr. DALRYMPLE: An increase of \$19,000. That item was made up, so far as the Traffic Department is concerned, for Guards with Chinese Traffic; Maintenance of United States Immigration Bureau Officers at various points, the contribution we make to them for services rendered.

The CHAIRMAN: That completes the item of Traffic Expenses.

Mr. DALRYMPLE: I was asked at the last meeting to submit a statement in respect to the effect on our revenue of the Crowsnest Pass Agreement. I find, however, that the statement that I had in mind, while it agrees with the figures that I stated, namely three quarters of a million dollars, had been prepared in a somewhat different manner to that which I explained. There is an extra copy of it here.

By Mr. Rinfret:

Q. Is that going in the minutes?—A. Yes. It is an average reduction in the rate under the Crowsnest Pass, as against what we call the old tariff applicable to the various commodities that move under the Crowsnest Agreement, which revenue, \$750,000 odd, we consider as net because it comes out of the rate.

MEMORANDUM OF ESTIMATED REDUCTION IN REVENUE UNDER THE APPLICATION OF THE CROWSNEST PASS RATE BASIS ON TONNAGE HANDLED BY CANADIAN NATIONAL RAILWAYS DURING CALENDAR YEAR, 1923

	All—Rail			Ex-Water Port Arthur		
	Number of tons	Average reduction per ton	Amount of reduction	Number of tons	Average reduction per ton	Amount of reduction
		\$ cts.	\$		\$ cts.	\$
Apples.....	1,596	6 61	10,550	52	2 82	147
Other fresh fruit.....	2,351	12 28	28,870			
Binder twine and cordage...	208	9 13	1,899	13,258	3 89	51,574
Building paper, felt and roofing.....	852	7 96	6,782	1,345	2 29	3,080
Furniture.....	5,307	11 25	59,704	321	6 30	2,022
Iron and steel.....	17,717	9 77	173,095	6,682	2 14	14,300
Implements.....	11,746	5 62	66,013	6,263	3 46	21,670
Livestock.....						
Oils.....	5,740	9 12	52,349	42,644	4 69	200,000
Paints.....	1,229	8 34	10,250	1,176	2 24	2,634
Window glass.....	1,721	8 79	15,128	394	2 39	798
Woodenware.....	883	8 48	7,488	165	2 06	340
Wire.....	1,602	8 59	8,607	4,888	3 97	19,406
	50,352		\$440,735	77,188		\$315,971

Totals—

50,352 tons, reduction \$8.75 ton, \$440,580—77,188 tons, reduction \$4.09 ton, \$315,699.

SUMMARY

Total of estimated reductions each commodity—

All-rail..... \$ 440,735
Ex-water Pt. Arthur..... 315,971

Total tonnage at estimated reduction—

All-rail..... 50,352 tons \$8.75 per ton..... \$ 440,580
Ex-water..... 77,188 tons \$4.09 per ton..... 315,699
127,540 \$ 756,279

The above figures are based on the application of the Crowsnest Pass basis from and to Canadian National stations with corresponding reductions to all territory including Edmonton and Saskatoon.

The above figures do not include less than carload traffic as the statistical records showing each commodity separately are not available.

Canadian National Railways,
Montreal, Que., April 27, 1925.

By Mr. Jelliff:

Q. That is on the basis of last year's traffic?—A. On the basis of 1923, exclusive of grain.

By the Hon. Mr. Graham:

Q. You did not in your last statement take into consideration what would be the result of the Crowsnest Agreement were extended to where it would become the basis of rates for Canada, all over your line?—A. This statement does not represent the full effect of what would exist in the event of that being done, Mr. Graham. This is only taking the agreement as it stood.

Q. It is rather confined to the commodities and points now affected?—A. No, it goes beyond that. It is what was in effect; applying what was previously in effect before the changes took place in the tariff of 1923.

Sir HENRY DRAYTON: That does not cover the point.

Mr. DALRYMPLE: Not the full point.

Hon. Mr. GRAHAM: The Crowsnest Agreement in its original form applied to certain territories and certain mileages. Those mileages I believe are in dispute yet; but if any agreement, no matter what it is, is applied to one part of Canada, it strikes me it has to become the basis, if you are going to make a permanent rate structure, of the entire Dominion of Canada, and it has to be reflected in every freight sheet.

Mr. DALRYMPLE: That is correct.

Sir HENRY DRAYTON: You have the point. This statement is carrying out the very limited effect given to the Crowsnest Pass Agreement by the C.P.R., when it for example gave one set of rates to Brantford and another set to Hamilton, on the ground that it only applied to stations on the then C.P.R. lines.

Mr. DALRYMPLE: That is not the point entirely.

Sir HENRY DRAYTON: And where you have to meet competitive business?

Mr. DALRYMPLE: It has a wider application than that, Sir Henry. There was a period of time where during certain periods the level of the Crowsnest Pass rates was made applicable, for instance to Brantford, and would include Brantford in this particular statement; but that does not include what I might call the sympathetic adjustment, if the Crowsnest Pass rates became the basis of all our rate fabric.

Sir HENRY DRAYTON: Can you give us that statement, Mr. Dalrymple?

Mr. DALRYMPLE: It is impossible to do that. It means the revision of all of our tariffs from one end of the country to the other.

Sir HENRY DRAYTON: Can you give it to us in round figures?

Mr. DALRYMPLE: It would be very much in excess of three quarters of a million, for the Canadian National Railways.

Sir HENRY DRAYTON: How much, approximately?

Mr. DALRYMPLE: It would certainly be over \$1,000,000, close to \$1,250,000.

Sir HENRY DRAYTON: Net?

Mr. DALRYMPLE: Net. I consider these figures as net, because we have to handle that much additional business to recoup the money.

Sir HENRY DRAYTON: You arrive at these figures on a basis of 82, do you not?

Mr. DALRYMPLE: No. I found that this statement had not been prepared in that way. We have taken an average reduction per ton on the various commodities, and we have made a comparison between the Canadian National basis and what is known as the standard basis.

Sir HENRY DRAYTON: So you are not really giving us net figures at all?

Mr. DALRYMPLE: Those are net, as a matter of fact.

Sir HENRY DRAYTON: You have to apply some operating ratio?

Mr. DALRYMPLE: No; that is the difference between the two bases, you see. That is how we use the term Net.

Hon. Mr. GRAHAM: Do your figures apply to all commodities, or only to the commodities named in the Crowsnest Agreement?

Mr. DALRYMPLE: Any commodities mentioned in the Crowsnest Agreement. As I said before, Mr. Graham, it does not include the what I call sympathetic influence. Take the talk that has occurred in connection with the Crowsnest Agreement and the change in commerce, if you apply certain rates to certain classes of iron and steel as provided for by the Crowsnest basis, you have to apply them to other articles of iron and steel not included in the Crowsnest Pass Agreement, and that influence would be greater now than it was the year before.

HON. MR. GRAHAM: If you apply it to rails, you have to apply it to something else?

MR. DALRYMPLE: To related articles.

HON. MR. GRAHAM: I am looking for a little more light on the subject. If the Crowsnest Pass Agreement was adopted as a basis, it would not only be the basis for the commodities named in the agreement but would be sympathetically considered, as you say, and would have to be reflected in every commodity that is moved in the Dominion of Canada?

MR. DALRYMPLE: You are quite right.

SIR HENRY DRAYTON: That is something you have not considered at all?

MR. DALRYMPLE: I have not considered it in the shape of figures.

SIR HENRY DRAYTON: The way the Minister puts it is much broader than the way you put it—sympathetic consideration.

MR. DALRYMPLE: That is right.

SIR HENRY DRAYTON: There is one way you can get at it; you can take your tonnage, roughly, in these different articles covered by the Crowsnest Pass Agreement, other than wheat and grain, and see what proportion of your total tonnage that tonnage was, because eventually, on the basis the Minister points out, it will have to apply to all those commodities everywhere.

MR. DALRYMPLE: That is quite true. We have not done it as yet, because we did not know exactly what information the Board of Railway Commissioners would call for when they got into the subject of the Crowsnest Agreement.

SIR HENRY DRAYTON: Before it gets to the Board of Railway Commissioners, it has to run the House, and I think we ought to know.

The CHAIRMAN: I think we have gotten away from the subject.

MR. STEWART (Humboldt): Did you have this tendency to reflect on commodities other than those mentioned in the agreement, and was it noticeable when the agreement was in operation previously?

MR. DALRYMPLE: Yes. There was always a demand for the application of the Crowsnest basis of rates to related articles, and in quite a number of instances those related articles did get into the reduced basis. The trend of commerce has materially changed since the making of the Crowsnest Agreement.

The CHAIRMAN: Some of those rates were not confined strictly to those lines?

MR. DALRYMPLE: Some were not confined to those lines strictly.

SIR HENRY DRAYTON: That should be qualified, Mr. Dalrymple. As a matter of fact, as I recollect them, the rates in the Crowsnest Pass Agreement in the first instance were made applicable, but as far back as 1914 we had, having regard to all the items, as I recollect the rate schedule which was then adopted, a lower basis of rates with the exception of one commodity, I forget which it was.

MR. DALRYMPLE: One or two commodities.

SIR HENRY DRAYTON: Lower on a commercial basis?

MR. DALRYMPLE: That is quite right.

SIR HENRY DRAYTON: So that as a matter of fact the Crowsnest Pass Agreement has never functioned since 1914?

MR. MILNE: Speaking of the dissatisfaction that existed on account of what you call sympathetic traffic, just what does that mean?

SIR HENRY DRAYTON: Related traffic.

MR. MILNE: Do you ever expect to get a basis of rates that will be satisfactory to the whole country, when there will be a basis as between different commodities when the people interested in those commodities will not complain?

SIR HENRY DRAYTON: That will be the millenium.

Mr. MILNE: How can we expect to get such a basis, when we have never been able to eliminate these differences?

Mr. DALRYMPLE: Because we are working on a limited basis. That is the only reason I can lay any emphasis upon. We are getting down to the marrow bones.

Mr. MILNE: Wouldn't it be better to scrap all the rates?

The CHAIRMAN: That is more a question for Parliament.

Mr. DALRYMPLE: I would like to see the general level of rates in Canada on a basis which would compare more favourably with the general level of rates in the United States. If we had that, we would have more money in our Treasury and not so big a deficit.

Mr. MILNE: But is that the only object, to get money in the Treasury?

The CHAIRMAN: I do not think it is the function of this Committee to discuss politics.

Mr. MACKINNON: How would it do to take up a new list of rates from ocean to ocean?

Mr. DALRYMPLE: You have to bear in mind that the business has grown up over the existing method of competitive rates.

Mr. MILNE: The conditions in the country to-day require a change. Don't you think I am right, that we should do away with the old classifications and the old rates?

Mr. DALRYMPLE: Our classification keeps on changing as business changes.

Mr. MACKINNON: You want to stick to the rates?

Mr. DALRYMPLE: As a matter of fact, we have a new classification before the Board of Railway Commissioners to-day, and we are waiting for their approval.

Mr. MACKINNON: But have you new rates to-day—that is the suggestion?

Mr. DALRYMPLE: Higher or lower?

Mr. MACKINNON: I do not say whether they should be higher or lower. That is a matter of judgment.

Sir HENRY THORNTON: Taking up the question asked a minute or two ago, we who are administering this property are charged with the responsibility of making as much money out of it under existing conditions as we can. That is what we are supposed to do. Obviously—and it has been said over and over again—you cannot continue to reduce rates and at the same time increase your net earnings. The railway is the property of the people of Canada. Our function is, when we point out to this Committee, to the people of Canada, or to any regulating body, what the results of certain reductions in rates will be, if after that has been said and explained, Parliament then decides, or any body having jurisdiction decides that rates should be so and so, then our responsibility ceases at once, except insofar as to make the most money we can on the rates that are in force. I want to make that quite clear.

Mr. MILNE: Quite right, but there are two ways of making it pay. A cheaper rate is one, and that can be brought out, and the other has been suggested by Sir Henry himself, cutting out the duplication of trains, and so on.

Sir HENRY THORNTON: That is quite true. That is what we are engaged upon now.

Mr. MILNE: It looks to me, just as a novice, that the companies are laying more stress on the matter of trying to keep their rates up than to cut out useless duplication.

Sir HENRY THORNTON: Not at all. Nobody is more anxious to produce increased net earnings than the men in charge of this railway system. That is

what we are here for. That would make the path very much easier for us. We are constantly trying to find new methods of decreasing our expenses and increasing our business. When you come to a discussion of freight matters, all I can do is to tell you what will happen if certain things are done, and it is for you to decide whether the price is one you want to pay. We will do the very best we can with what we have to do with.

The CHAIRMAN: I suppose there is an irreducible minimum of rates, beyond which you cannot go.

Mr. MILNE: Do you agree with that?

Sir HENRY THORNTON: You might assume that it was to the advantage of Canada to carry freight for nothing. To take a hypothetical case; you might say that would contribute most to the welfare of the country; that it was better to do that than to have a large deficit.

The CHAIRMAN: Run the railways the same as you run our canals—free?

Sir HENRY THORNTON: Something like that. I can tell you what will happen if you do that; you will relieve us of a lot of anxiety.

Mr. DALRYMPLE: I was asked to file tariffs in connection with special circus trains under item No. 111, and I now do so. The total amount is \$72,888.97, of which \$58,009.92 appertains to special circus trains.

The CHAIRMAN: I would not think that the Committee wanted all these figures printed.

Sir HENRY DRAYTON: All we wanted was to ascertain, if we could, the cost of a single operation.

Mr. DALRYMPLE: I find, Sir Henry (Drayton) that we have not taken our earnings on that basis, but the average is pretty much in excess of our general average.

Sir HENRY DRAYTON: We wanted to find some way of ascertaining that expense. It should not be very hard to get it,—to ascertain what it costs to run a train a mile.

Mr. DALRYMPLE: We would have to take a specific train movement. It has not yet been done. We could take a hypothetical case, but we would have to wait until a special train ran to get those figures. The fact is, however, that on the bulk of this business the average is very much in excess of the average for regular train movement. Of course, we do not furnish any equipment, and this would not give you very much of an index, because it is not ordinary business.

Sir HENRY DRAYTON: When you are considering passenger traffic, what figure do you consider? Do you consider the costs for supplies, and the like, per mile of operation? Supposing you are going into the field now for business; what is the irreducible minimum you would have to quote to make this business carry itself?

Sir HENRY THORNTON: For passenger or freight, Sir Henry (Drayton)?

Sir HENRY DRAYTON: Freight.

Mr. DALRYMPLE: I will ask Mr. Henry to explain that. He knows more about the bookkeeping question than I do.

Mr. HENRY: Each case is taken on its merits, Sir Henry (Drayton).

Sir HENRY DRAYTON: Yes, I know, but before we consider the merits we have to consider how much we will be out of pocket in order to get there.

Mr. HENRY: It would depend upon whether it is additions to the traffic, or new traffic entirely, for which a special service had to be provided. If it is an addition to the traffic which did not require any additional equipment, or any additional service, employees, and so on, of course, it would be a different thing.

Sir HENRY DRAYTON: I am not speaking of service. I am speaking of the figures which I used to get when I was on the Railway Board.

Sir HENRY THORNTON: Do you want to know the average cost per train mile for passenger service?

Sir HENRY DRAYTON: Yes and it would give us our average cost. Of course, a big heavy train costs more to run than a lighter train.

The CHAIRMAN: What you want is the average?

Sir HENRY DRAYTON: Yes.

Sir HENRY THORNTON: Much depends on whether you have light crews going back.

Mr. MALLORY: We have the figures here by regions and for the system. Any particular region?

Sir HENRY DRAYTON: Give them to us by regions, and for the system.

Mr. MALLORY: The out-of-pocket—or what we call “selected accounts”;—train-engine men’s wages, fuel, other supplies for trains, locomotives, engine house expenses, trainmen’s wages, and other supplies, and expenses—we find for that group in 1924 on the Atlantic region the figure of 82 cents; central region, 75.1 cents; Grand Trunk Western 55.3 cents; Western region, 78 cents; system average, 74.7 cents.

Sir HENRY DRAYTON: But there are other items which must go into that. I want all the items which go into the costs of operating your trains. My recollection of the old figures on the Intercolonial—and I am speaking now subject to a fairly hazy recollection of it—is that at that time our cost per passenger train mile was about \$2.75.

Mr. MALLORY: The total operating expense per passenger train mile in 1924 on the Atlantic region was \$3.12; central region, \$2.80; Grand Trunk Western, \$2.08; Western region, \$3.26; system average, \$2.90.

The CHAIRMAN: Does that conclude that item?

Sir HENRY DRAYTON: Yes.

The CHAIRMAN: Now, may we proceed with the evidence of Mr. Robb? He has the item of “Stationery and Printing”, and the item of “Insurance”.

Sir HENRY DRAYTON: We need not bother about “Stationery and Printing” nor “Insurance”. The only things I was going to speak about were the Industrial Immigration Bureaus and the Radio.

The CHAIRMAN: We will take up the Industrial Immigration Bureaus first. Any questions on that, or do you want a general explanation? Could you give a general explanation, Mr. Robb?

Sir HENRY THORNTON: They want a general explanation of the increase—\$461,000.

Mr. ROBB: The increase in the colonization is due to the fact that the Colonization Department was started in 1923, but we did not get into it in 1923, because it was not started until the Fall of 1923, and we got going fairly well in 1924. Then the whole expense is due to the expenses of that organization, the increase in the organization, and the installing of the organization.

Sir HENRY DRAYTON: Perhaps you could tell us at what points we have these bureaus, Mr. Robb.

Mr. ROBB: Places where we have the bureaus?

Sir HENRY DRAYTON: Yes, and the expenses.

Mr. ROBB: We also have the radio in with this industrial, as well as the colonization.

Sir HENRY DRAYTON: Take the bureaus first, and then the radio.

Sir HENRY THORNTON: Might I say there, by way of explanation, that we charge 25 per cent of the cost of the Radio Department to advertising, and 75 per cent to Colonization. It is a question whether or not that is the right proportion. It is a new thing and we have not had enough experience with it to really say how the cost should be divided, but it should be divided into some proportion, and in the years to come we may possibly change it.

Mr. ROBB: Our expenses in 1923 were \$202,000, and in 1924, \$394,000.

Sir HENRY DRAYTON: Where are the bureaux?

Mr. ROBB: The European Manager's office is \$62,000.

The CHAIRMAN: Where is that, in London?

Mr. ROBB: Yes, in St. Paul, \$21,000.

Sir HENRY DRAYTON: That is St. Paul, Minneapolis?

Mr. ROBB: Yes, Minnesota. Winnipeg is \$23,000.

Mr. STEWART (Humboldt): What was the item for St. Paul, Mr. Robb?

Mr. ROBB: \$21,000.

The CHAIRMAN: Have you only one bureau in the United States?

Mr. ROBB: No, we have two. We have one in St. Paul and one in Boston.

Sir HENRY DRAYTON: You have given us three; what is the next one?

Mr. JELLIFF: Did you give us the cost for the one in Boston?

Sir HENRY DRAYTON: We have not got Boston yet. He has given us three, London, St. Paul, and Winnipeg.

Mr. ROBB: For the Commissioner in Montreal, we have \$57,000; Boston is \$10,739, and Winnipeg is \$59,905.

Sir HENRY DRAYTON: We had \$23,000 for Winnipeg. Was that right?

Mr. ROBB: This is the total expense.

Sir HENRY DRAYTON: Winnipeg; how much?

Mr. ROBB: \$59,905; Edmonton, \$14,322; Seattle, \$7,849—Seattle is in connection with the St. Paul office—Buffalo, \$1,376, and St. Paul, \$37,478.

Mr. STEWART (Humboldt): That is correcting the previous item?

Sir HENRY DRAYTON: Yes, the previous item was \$21,000. Does the London item of \$62,000 stand, or is it changed?

Mr. ROBB: Our European total expenses in London were \$174,755.

Sir HENRY THORNTON: That is London.

Mr. ROBB: Yes; it was the increases I gave before.

Mr. KYTE: And is \$10,000 the correct amount for Boston?

Mr. ROBB: Yes.

Mr. KYTE: Where is the office located in Boston?

Mr. ROBB: It is in our ticket office in Boston.

Mr. KYTE: In connection with the Railways?

Mr. ROBB: Yes.

Mr. KYTE: And has nothing to do with immigration?

Mr. ROBB: What we have been doing in New England is endeavouring to bring back these French Canadians to Northern Quebec.

Mr. KYTE: And you have an immigration staff there, as well as a railway staff?

Mr. ROBB: No; we have only one man and a stenographer.

The CHAIRMAN: Have you any sub-offices in England, in addition to the one in London?

Mr. ROBB: Yes, we have London; we have Belfast and Liverpool, Glasgow, and also Dublin.

The CHAIRMAN: And the expenses of those are given separately, or are they included in the London item?

Mr. ROBB: They are all included in the London office. We have, of course, the Continental offices at Rotterdam and Copenhagen, or rather Oslo, for Norway and Denmark.

Sir HENRY DRAYTON: Where do their expenses come in?

The CHAIRMAN: Have you the expenses of those offices you just mentioned, separately?

Mr. ROBB: No, they are included in the London office.

Sir HENRY THORNTON: I think perhaps it might better serve the committee if a list were filed, giving each office, and the expense of each office. We can separate them?

Mr. ROBB: Yes.

The CHAIRMAN: Can you produce that for the next sitting, Mr. Robb?

Mr. ROBB: Yes, we can produce that. I think we can get it all right.

The CHAIRMAN: Are there any further questions?

Mr. MACKINNON: Have you any offices in the Maritime Provinces?

Mr. ROBB: No.

Mr. MACKINNON: Is there any cause to have them there?

Mr. ROBB: No. We are working the Maritime Provinces now from Montreal, with the co-operation of the provincial government.

The CHAIRMAN: Just what would be the nature of the work of the officers at Boston?

Mr. ROBB: The man at Boston works with these French Canadians throughout the New England states.

Mr. JELLIFF: How many immigrants did you get as a result of this? Have you any record anywhere?

Mr. ROBB: Yes, we have a record there. We passed over our line 46,000 immigrants in 1924.

Mr. KYTE: From where?

Mr. ROBB: From the seaports; from European countries.

Sir HENRY DRAYTON: The position is this: you cannot tell who gets them, whether the government's immigration gets them or who gets them?

Sir HENRY THORNTON: It is quite conceivable that an immigrant might come to Canada through no effort on our part.

Mr. MACKINNON: Following up my question, Mr. Robb, would it be well to have an office established in the Maritime Provinces, outside of Montreal?

Mr. ROBB: No, I do not think so, not at present.

Mr. MACKINNON: I look upon it as the greatest problem we have.

Mr. ROBB: I may say we are going into the question of the Maritime Provinces now, at the present time, and Dr. Black is going down there in the course of a week or so to see what can be done.

Mr. STORK: These European stations we were just speaking of, do they devote any attention to tourist traffic? Does the tourist business enter into this colonization matter, too?

Mr. ROBB: Yes, I understand it also enters into it, because the traffic office and the London office are working together on both tourist and colonization.

Sir HENRY THORNTON: They would interest themselves in tourist traffic collaterally.

The CHAIRMAN: Do you in any way co-operate with the government immigration agencies?

Mr. ROBB: Yes, we are working with the government agencies very closely at the present time.

Mr. MILNE: You said you co-operated with the Maritime Provinces. What about the other provinces?

Mr. ROBBS: You can answer that, Dr. Black; you are in touch with the other provinces at the present time.

Dr. BLACK: We are co-operating very closely with all the provinces, as a matter of fact. The western provinces, the prairie provinces, of course they decline at the present time to accept any large responsibility in the matter of colonization, but they co-operate with us wherever they can, with their existing machinery.

Mr. JELLIFF: What rates do you charge these immigrants after they get over, for sending them to the different sections? Are there any special rates?

The CHAIRMAN: You mean what rates of fares?

Mr. JELLIFF: Yes.

Mr. DALRYMPLE: A very low steamship rate; from Halifax, St. John and Montreal to Winnipeg the figure is not in my mind, but west of Winnipeg the usual basis is a cent a mile, as I recall it.

The CHAIRMAN: Do you sell a ticket right through?

Mr. DALRYMPLE: In some cases we do, we do it both ways.

The CHAIRMAN: Have you any special arrangement with the steamship lines?

Mr. DALRYMPLE: Not at the present time, as I understand it.

Sir HENRY DRAYTON: I suppose you have not raised the figure from what it was some years ago?

Mr. DALRYMPLE: As a matter of fact, two years ago we reduced it \$10.

Sir HENRY DRAYTON: I went into these figures two years ago, and I think the railway was running the traffic as cheaply as it could, and as a matter of fact I think they were losing money on it.

Mr. DALRYMPLE: We have the basis down as low as we can figure it. We are down to the pre-war basis on that.

Mr. STEWART (Humboldt): Have you any record of the cars of settlers' effects that came across the American boundary on your line?

Mr. ROBB: We have not that here.

Dr. BLACK: We have not that, but we have the record here of families whom we have interested in crossing the line, ourselves. A good many of these people come in by motor car.

Mr. STEWART (Humboldt): What is the total of that?

Dr. BLACK: 247 families, that our St. Paul office interested last year.

Mr. STEWART (Humboldt): Through the St. Paul office?

Dr. BLACK: Yes.

Mr. STEWART (Humboldt): That takes no account of families coming from the eastern States to the Maritime Provinces?

Dr. BLACK: No.

Sir HENRY DRAYTON: What did you do in Ontario, Dr. Black?

Dr. BLACK: We do our work in Ontario very largely in co-operation with the Provincial Employment Office. In fact, farm workers coming in over our line to be placed in Ontario are placed through the Employment Office at Toronto. We are working very closely in touch with them all the time.

Sir HENRY DRAYTON: What is being done in connection with the development of northern Ontario?

Dr. BLACK: We are endeavouring at the present time to locate families in northern Ontario. The Ontario government is working with us in an attempt to develop settlement, and we have one of our staff giving his entire time to northern Ontario at the present time.

Sir HENRY DRAYTON: Are you getting any results?

Dr. BLACK: It is a question of establishing connection with groups of people who can be settled under existing conditions there. For example, we consider there is no use taking any man into northern Ontario or northern Quebec unless he can handle an axe. He cannot go in there and learn to do it and make a living, so therefore, we are endeavouring to get types of people who are accustomed to bush life and who we think can make a living in that country. We hope to bring in some families from Scandinavian countries; we are working on a plan to have some of our own Canadians settle in that north country in groups. There are a good many farmers' sons, both in Ontario and Quebec, who are accustomed to using an axe, who we feel would get along very well if they were to settle in that north country under the conditions that prevail.

Sir HENRY THORNTON: There is a very encouraging drift of settlement out along the Transcontinental in northern Ontario. I notice it myself on going over the road. You see new little settlements springing up and we find the business thereby increasing and you also find a good many French Canadians that are pushing out westward along the Transcontinental, and while I do not anticipate anything in the nature of a boom in that country, there is a very considerable and a very steady growth going on.

Mr. ROBB: I should say that in Northern Ontario and Quebec, principally in Quebec, last year, we placed people on 1,527 sections of land, and it is up in Ontario and Quebec where you get your increased population; the population is increased up there by about 3,500 people.

Mr. STEWART (Humboldt): Are these sections or quarter sections?

Mr. ROBB: Sections; 160 acres.

Sir HENRY THORNTON: If you will take such commodities as wheat, oats, hogs, cattle, horses, items of that sort or the general class of items, I think I am safe in saying that in the last few years the tonnage of those commodities that we have handled into Quebec and Ontario, served by the Transcontinental, has increased at least 50 per cent, indicative of a very steady fair growth in settlement.

Sir HENRY DRAYTON: I suppose that would include pulpwood?

Sir HENRY THORNTON: Yes, that would include pulpwood but the major agricultural articles or commodities are increasing very considerably in that territory.

Mr. JELLIFF: What proportion of this immigration goes West?

Sir HENRY THORNTON: Dr. Black can answer that.

Dr. BLACK: I cannot give you the exact percentage. No, I cannot give you the exact number because they keep getting off the train as they go west, and it is very hard indeed to check them but of course there has been a larger percentage of immigration from Europe that has been remaining east within the last two or three years than previously. There has been a fairly heavy

immigration to the Province of Ontario but the general tendency, of course, is westward, I would say that this year it would look like somewhere between 65 and 75 per cent going to the Western countries.

Mr. STEWART (Humbolt): Have you any information there from which you could tell us the nationalities from which we have drawn from the Continent?

Dr. BLACK: I have that here. I should say for this year, the arrivals during the present calendar year would give you a fairly good idea of the classes that are coming.

Mr. STEWART (Humboldt): You are publishing that as a result of your immigration policy during 1924, I presume.

Dr. BLACK: We are not publishing it from that standpoint, but nevertheless these are the people that are coming in. The European continent is classified by the Department of Immigration into preferred and non-preferred countries. There are certain countries from which people may come without any restriction other than physical and mental fitness. There are non-preferred countries, from which the people are admitted by arrangement and I might say that there are none, or practically none coming from non-preferred countries who are not agricultural workers and they are required for the purpose of engaging in agricultural work.

Mr. ROBB: Do you want the nationalities?

Dr. BLACK: The list is a rather long one.

Mr. STORK: You had better put it in the record. It is a lengthy document and it will take some time to recite the whole of it.

Mr. MACKINNON: If it is too long it will be like Hansard and no one will read it.

Sir HENRY THORNTON: I cannot imagine anyone not reading Hansard.

Mr. STORK: Is it just one sheet?

Dr. BLACK: Just one sheet.

Mr. STORK: You might read it.

Dr. BLACK: It is from overseas: English, 1,987; Scotch, 740; Irish, 526; Welsh, 65; Danish, 230; Dutch, 169; Swedish, 146; Norwegian, 125; Swiss, 43; Belgian, 99; Finns, 207; French, 38; Russian, 132; Hungarian, 237; Roumanian, 88; Ukrainian, 20; Jugo Slavs, 178; Czecho Slovaks, 164; Polish, 327; German, 143; Austrian, 11; Italian, 194; Greek, 30; Armenians, 12; Syrian, 9; Lithuanian, 12; South African, 1; Servian, 4; Bulgarians, 7; Estonian, 2; Albanian, 1; Maltese, 4; Persian, 6.

Mr. MACKINNON: No Spanish?

Dr. BLACK: No Spanish, no.

Mr. STEWART (Humboldt): It strikes me that the number coming from the Scandinavian countries is rather small when we take into consideration the suitability of these people for our present conditions.

Dr. BLACK: There is a reason for that and the reason is that there has been very active propaganda carried on in these countries against Canada. It has gone a long way towards nullifying the effects of Canadian offices operating in those lands to get people to come here.

The CHAIRMAN: What is the nature of the propaganda?

Dr. BLACK: It is denouncing Canada, pointing out that conditions are unsuitable for settlement here.

Mr. ROBB: Letters and even editorials from people over here.

The CHAIRMAN: Is it in regard to the climate?

Dr. BLACK: Not so much regarding the climate because the Scandinavian is accustomed to a climate that is very much like the climate in this country but there is a great deal said over there about unemployment in Canada and about the conditions that Scandinavian people meet when they arrive here. As a matter of fact there have been some Scandinavians arriving here who are unsuited to settle here; that is, they are of the type who desire to engage in employment that is not available in this country at this time and consequently these people had a great deal of difficulty in getting on. Such individuals come on their own account and not at the instance of any Canadian agency or at the instance of the Canadian railways or the Canadian Government. I can say that I do not know of a single Scandinavian or a native of Denmark, Sweden or Holland who has come to this country during the last year at the instance of any Canadian agency.

Mr. JELLIFF: Do they allow you to solicit?

Dr. BLACK: You cannot openly solicit but we are permitted, for example, to advertise in the papers of Denmark, say, drawing attention to the fact that we have an Information Bureau in Copenhagen that will provide them with all information in regard to conditions in this country. I might say our office has been very very busy in Copenhagen answering questions about this country, but it just happens that no matter how much you do, if there is some letter published from some Dane, who has not been able to get work, the individual considering emigrating to Canada hesitates.

The CHAIRMAN: You speak of Copenhagen. Have you an office at Oslo?

Dr. BLACK: Yes, in Norway. We have just two offices.

The CHAIRMAN: Why should they be expected to apply to Copenhagen? Is it nearer?

Dr. BLACK: In Denmark they apply to Copenhagen. In Norway at Oslo.

Mr. STEWART (Humboldt): Where is your office in Sweden?

Dr. BLACK: We have not any office in Sweden at the present time. Our officer in Oslo looks after Sweden as well as he can. It is even more difficult to work in Sweden that it is in Denmark.

Mr. MACKINNON: Have you one in Scotland?

Dr. BLACK: Yes, with headquarters at Glasgow.

Mr. MACKINNON: Who is he?

Dr. BLACK: Mr. MacCoolan.

Mr. JONES: Regarding the Maritime Provinces, especially New Brunswick, in the sessions of 1922 and 1923 the Maritime Members had several meetings regarding immigrants coming to the Maritime Provinces. We did not seem to make much headway, so I brought it up in this Committee, last year. I was turned over to Mr. Robb, the Vice-President here, whom I went down to the Chateau to see and I had an interview with him. He brought Mr. Price Green from your Montreal Office up here and we simply laid plans. Then, as soon as the Session was over it was arranged that the Canadian National Colonization Department would send a representative to Kings County and to Queens County. Sometime in August Mr. Green sent down a Mr. Biette. He came to my station. I took him over the two counties mentioned and we looked at a very large number of farms. Mr. Biette listed 65 farms. When we ended our work on Saturday, he asked me if I wished to go any further. I said, no, I did not think it was necessary; with that list of 65 farms we would rather see some results, of someone settled on them, before we went any farther. I might say that I could show him as many more this season. But up to the present time, I have received no offers, none of those farms has been taken up by outside settlement. I have not that list here; I don't know whether you have it, Mr. Robb, or not.

Mr. ROBB: I have not that list here. We have it in Montreal, and a list of a good many more.

Mr. JONES: I did not know Colonization was coming up this morning. I think the opportunities in Kings and Queens Counties are splendid. As you know, Kings and Queens have put up more than fifty per cent of the dairy products of the Maritime Provinces. There is hardly any section there but has butter factories, and cheese factories, good railway service and everything else. The majority of these farms on the list, 95 per cent of them, became vacant on account of the husband dying, or the man who had done well on his farm was perhaps a few miles from some centre, made money there, and secured a better farm nearer to the railway, or something like that. On 95 per cent of these places a man who was willing to work could go in and make money, or make a living.

Mr. STEWART (Humboldt): What capital would he require to start?

Mr. JONES: These places were listed from \$350 up to \$5,000. I could give you offhand a description of two or three of them.

Mr. STEWART (Humboldt): Equipped or unequipped?

Mr. JONES: Unequipped. With house and barn, outbuildings, and a certain amount of land cleared. I can give you the description of one place three miles from Apohaqui, a mile and a half from a sea port and siding on the Canadian National line, St. Johns to Moncton; 400 acres; 75 acres under cultivation; 25 acres in pasture; a house 28 by 34 with an "L" and a wood house; two large barns, one 36 by 50; and a well house and draw. That place was listed at \$3,000 and on that farm at the time Mr. Biette inspected it, it was carrying 25 head of cattle and three horses.

Now I do not wish to find any particular fault here with the Colonization Department or anyone else, but I really think the Maritime Provinces have been slighted in that way. We are practically one-eighth of the population of the Dominion of Canada and we are putting up a share of the expenses as far as colonization is concerned, but there is practically no effort being made by the Government or the Canadian National to bring settlers in there. I believe that conditions there are far better for a great number of people than they are even in the west. These farms are ready made and a settler can go to work on them at the present time. If you had settlers going in there now, they could put in a crop and get through the coming winter, and with a very small capital.

Mr. ROBB: I may say we did follow that up and I have that list—I remember this perfectly well—and I forwarded it to Europe, to Dr. Black. Now Dr. Black can tell you probably better than I can just what the situation is there and what we had in mind.

Dr. BLACK: We had your list, and also one from Prince Edward Island. In the first place we are not favourable to the policy of attempting to sell anyone a farm until he has seen it.

Mr. JONES: I may say here, I told Mr. Biette, and I called on Mr. Price-Green in Montreal two or three times since when going through there, and told him that if anyone came to my County, I would take him free of expense to examine these farms and bring him back to the railway.

Dr. BLACK: I understood that, Mr. Jones, and that is quite all right. We are just as anxious and we are trying just as hard to get people to settle or to take advantage of the opportunities in the Maritime Provinces as we are in any part of Canada. As a matter of fact in that territory, such as the district you refer to, which is served exclusively by our own line, we feel under a particular obligation to do anything we can, and we are trying very hard to do it, but it is very difficult, over in the Old Country, to get people with money

to come to settle in the Maritime Provinces, for the reason that the West has been in the past so much more advertised by people in the West. After all, the people are influenced in going to any part of the country, to a very large extent, by the letters that come from that country, from people with whom they are acquainted, and there are not so many letters going from the Maritime Provinces to the British Isles, or anything like the percentage that are going from the Western Provinces to the British Isles. We are anxious to develop that district Mr. Jones, if we can do it.

Mr. JONES: Well, Mr. Black, I think probably the whole trouble is that we have no organization down there. I don't think you can serve the Maritime Provinces as well from Montreal; or not very well; and I can say this, that we have some Old Country people down in our district who have come there just recently and they are all doing very well. A number of them spent five, six, seven, or eight years in the West, and they sold their properties there, and came down, right in my own district, and really they are just about as good farmers as I know of and they are getting along all right.

The CHAIRMAN: Do your local governments, Mr. Jones, spend any money in aiding or promoting immigration?

Mr. JONES: A little. Very little.

By Mr. Stewart (Humboldt):

Q. How much money would a settler need, in your estimation, Dr. Black, to take up one of the farms that has been referred to, and establish himself on it?—A. It depends a great deal on the terms; that is, the number of years he has to pay for the farm itself, if he is going to have a long time and reasonable interest, and I am not quite sure whether the farm is stocked. Does the live stock equipment go with the farm?

Mr. JONES: In some cases you can buy the stock and the farm implements. Otherwise you can buy lots of stock there and you could buy it very reasonably up to last fall. Now perhaps, when they are wintered over, they would be a little more expensive at this time of the year.

Dr. BLACK: Taking a farm that is a going concern, such as the one described that could be purchased for \$3,000.

Mr. JONES: I can name you a number of them. One that was listed at \$1,000, two miles from White's Cove Wharf on the Grand Lake, where the farm has about 45 acres cleared and about 20 or 25 acres in pasture, and the balance in woodland, with a certain amount of lumber on, and a house with ten rooms, two large barns, granary, hen-house, hog-house and so on, listed at \$1,000, and at the present time it would carry 12 to 15 head of cattle and a span of horses. The man who owns this is still living, but he has moved out on the main Grand Lake, and bought a small place out there. He was too old to work this place.

Mr. STEWART (Humboldt): Is that farm farmed out, or in need of fertilization?

Mr. JONES: Farmed out, no, they cut 35 tons of hay on it last year. It is on account of the old age of these men. Some of them have done very well and have retired; they have moved into the towns and villages, and the buildings are empty.

Hon. Mr. GRAHAM: Why not advertise it?

Mr. JONES: I have done a lot of advertising myself. This trip of Mr. Biette did not cost the Canadian National or the Canadian Government one cent; I paid his expenses myself.

Mr. ROBB: We will be glad to do whatever we can. It seems to me that the Provincial Government ought to go into that just as energetically as we do.

Mr. JONES: Is it not the same with the Western Provinces? You are doing it in the western part of the country, but you are not doing it in the eastern part.

Mr. ROBB: We have had more advertising done on the other side by people writing over there, and so on. But in any event we will do all we possibly can. We have the provinces on our programme this year. We cannot serve everybody, especially along our line, but we are going to work with the Provincial Government. At the same time it seems to me that the people of the Maritime Provinces themselves ought to go after this thing most energetically.

Mr. JONES: What is wanted is, a general scheme for all Canada.

Mr. ROBB: We will do it if we can.

Mr. JONES: We would be glad if Dr. Black would come down, and I will make things convenient for him at any time.

Mr. ROBB: We will do that, Mr. Jones. We are working with the Dominion Government now, and are doing fairly well this year. We have a large number of farm labourers coming over, I may say that while there has been a very great deal of talk about unemployment, we have had no farm labourers come over that we have not placed, not a single one; we are bringing over a large number now, and have brought over a large number this year already.

Mr. STEWART (Humboldt): Have you any information as to how many of those settlers brought money with them, and how much capital they had to invest?

Mr. ROBB: We have that. We know pretty well what money the settlers coming out here have. There seems to be an intimation or a disposition on the part of people coming from Europe not to tell you the amount of money they have. With the agriculturists coming from the United States we do not have any trouble at all.

Mr. STEWART (Humboldt): What do you find, in that respect; do they have capital to invest, or do they come as labourers?

Mr. ROBB: A lot of them have capital, but some have not.

Dr. W. J. BLACK: They are mostly of the renter class, in the United States, who run anywhere from \$1,000 to \$2,000, and they are able to settle on our cheap lands and get going.

Mr. MACKINNON: I want to ask a question or two as to the situation in the Maritime Provinces. I think Mr. Robb has given us a wrong impression, by throwing it on the Provincial Governments. That is what has been wrong all along. I agree with Mr. Jones, that in the provinces there are a million people who are contributing to the offices in Winnipeg and the expenses there, and to the advertising that is done all along the line. There is no hotel in the Maritime Provinces, on the Canadian National Railways. I am only trying to show how it develops. Then you ask why the Maritime Provinces are becoming depopulated. We ask you to get a branch or a bureau of administration established in the Maritime Provinces; that your men study the situation and find out the conditions, and if it is thought worth while, try and colonize the country, but if it is not worth while do not spend any money along that line. My opinion is that it is worth while, for farming, agriculture and fishing, if for nothing else. Perhaps the matter has not been brought to Mr. Robb's attention as it should have been. The population is not going on as fast as it should go. To say that the Provincial Government should take a hand and that the other authorities should not take a hand except in a small way, does not seem to me to be just right. I think it is the duty of the Dominion Government and of the Canadian National Railways to see that all over Canada fairness is done. It is not being done fairly to-day. Millions of dollars have been spent in the West, and but

thousands in the Maritime Provinces. That has been the history since Confederation, and we want to stop it. We are going to try to get the Maritime Provinces to go ahead, and this is one way in which we ask you to do it, namely, to establish a branch down there and study the situation.

Mr. ROBB: That is right, and we want to help you. We will send a man down there this year, and if we can establish a bureau there, we will establish it.

The CHAIRMAN: I do not want to be hypercritical, but have you a Bureau in Ontario?

Mr. ROBB: No, and we haven't in Quebec either, or anywhere else.

Mr. MACKINNON: You have one in Montreal?

Mr. ROBB: But that is the head office of the railway. I cannot say any more about it now, until we go down and look over the ground.

Sir HENRY THORNTON: I think there is a great deal to be said in favour of a campaign in the Maritime Provinces, and you cannot get at it too soon. There is a great deal to be said in favour of establishing a branch there and stopping the depopulation if possible. We are told now by Mr. Robb that they are going to go down there and survey the field. Whatever we can do to help will be gladly done, and any scheme you bring forward will have our enthusiastic support.

Mr. JONES: There is one other question, and that is about these farms that are worked out. I may say that Mr. Biette's and others that are offered for sale or listed in that way can easily be seen. I know every one of them, and I will take anybody over every one of those farms, and it will be seen that ninety per cent of them are the right kind for settlers to go on, and could go on and make a good living to-day. They are not worked out farms, by any means.

Dr. BLACK: We will see what can be done about it.

Mr. JONES: You could not build a house, let alone the barns and out-buildings, for the money that is asked for the whole thing.

Mr. STEWART (Humboldt): I do not want anybody to think, from what I have said, that I do not want the Maritime Provinces to get their full share of what is coming to them, but I want to bring out the point that the Maritime Provinces can only use a certain class of settlers, and they are such as have capital to invest in the purchase of land. Mr. Jones' statement would not lead us to believe that it is high-priced property. That is what I had in mind when I was trying to get some information as to whether there was any considerable number of settlers of that class coming forward.

Mr. JONES: \$300 would get them started.

Sir HENRY THORNTON: A man does not invest his money in a farm before he goes over it and sees the land.

Dr. BLACK: We advise every man not to buy a farm as soon as he comes to Canada. We take into consideration the conditions which exist as to labour, the amount of capital a prospective settler may have, and so forth. We try to get men to come out here and work for a year on farms and satisfy themselves as to where they should settle. In order to place men on farms, we are utilizing the services of Provincial Governments as well as our own, and we have been placing every farm labourer in the Province of New Brunswick, the Province of Nova Scotia and the Province of Prince Edward Island that we can find a place for.

Mr. STEWART (Humboldt): I presume either Ontario or the Western Provinces have the best openings for farm labourers at the present time?

Dr. BLACK: Yes, and they have been offering the best wages.

Mr. JELLIFF: I would like to ask whether very much land has been listed as being available to settlers.

Mr. ROBB: We have listed about 800,000 acres of land. The payment is spread over fifteen years, and we only have a down payment of \$50. And the next thing is that he pays the taxes only.

Mr. STEWART (Humboldt): Is that on the 160-acre farm?

Mr. ROBB: 160 acres, yes.

Mr. MILNE: Can you make any estimate of the value of the settlers settling on the land, or is that drawing on the imagination too much?

Mr. ROBB: No, we have a figure for that.

Mr. BLACK: It has been estimated at \$700 a year, but I think a lower figure would be more nearly correct than that at the present time.

Mr. JELLIFF: Are you holding your land at a higher price per acre than the other gentlemen hold their land?

Mr. ROBB: No, the price is less.

Mr. JONES: You could not put the buildings up for double the money, on any one of these farms.

The CHAIRMAN: It is now one o'clock, will you consider this item completed?

Sir HENRY DRAYTON: We have not touched the radio part of it; perhaps it will not be very long.

The CHAIRMAN: Perhaps we could finish that and allow Mr. Robb to go.

Sir HENRY DRAYTON: How much of this item is included for radio?

Mr. ROBB: \$82,000 it is a total of \$119,000.

Sir HENRY DRAYTON: How much of that radio expense took place outside of Canada?

Mr. ROBB: Practically none of it took place outside of Canada.

Sir HENRY DRAYTON: Then why should it not go to advertising?

Mr. ROBB: It is divided between the two. It is a question of how much we should—

Sir HENRY THORNTON: Perhaps I could answer that. It depends on what proportion of radio expense should be charged to development. We discussed this matter at some length, and after discussion, and purely on a hit or miss basis, we decided that 25 per cent of it ought to be charged to advertising, and 75 per cent to colonization and development.

Sir HENRY DRAYTON: If we are not spending any of this money at the points where we get our revenue—

Sir HENRY THORNTON: It is purely an accounting proposition.

The CHAIRMAN: You do not always get your revenue here. For instance, you spend your money on radios in Canada, and sometimes get the effect of it in the United States. For instance, I heard of a case the other day where a certain person heard a description of Western Canada in one of the Southern States by radio, and as a result of that he decided to take his family and pay a visit to Jasper Park.

Sir HENRY DRAYTON: That is advertising. Your illustration emphasizes my point, that a larger part of this should go to advertising.

Sir HENRY THORNTON: I question that. I do not know whether it ought to be 25 and 75, or 50 and 50, or what it should be. It is entirely a new field, and we have not as yet got the exact figures of what broadcasting may be worth, with respect to colonization and development.

Sir HENRY DRAYTON: Why not put it all in to advertising?

Sir HENRY THORNTON: I think it has a considerable effect on colonization and development. For instance, this man of whom the Chairman spoke, on his

visit to Jasper Park might become attracted to Canada and decide to come here and take up some land.

Sir HENRY DRAYTON: That is hardly likely.

Sir HENRY THORNTON: It is quite possible.

Sir HENRY DRAYTON: It seems to me, if we are to approach this thing with the idea of getting a proper allocation—

Sir HENRY THORNTON: That was, however, our decision as to the proportions.

Sir HENRY DRAYTON: It seems to me it is pretty heavy to load up the Industrial and Colonization Bureau with 75 per cent of the cost. Supposing we just check that up a little bit. How much of that cost is for equipment on our railway trains?

Mr. HENRY: That was just the operating expenses in there; there is nothing for equipment, Sir Henry (Drayton) at all.

The CHAIRMAN: And equipment is charged to capital.

Mr. STEWART (Humboldt): Operating on the trains?

Mr. ROBB: Yes.

Sir HENRY DRAYTON: What is the equipment charge?

Mr. HENRY: \$51,000 for 1924.

Sir HENRY DRAYTON: That is the total cost of train equipment and stations?

Mr. ROBB: Yes.

Sir HENRY DRAYTON: We have no figures at all for the operating of the cars?

Mr. ROBB: Yes, and expenses of the offices and all expenses of the radio.

Sir HENRY DRAYTON: What is the cost of operating the cars?

Mr. ROBB: \$46,000 for the cars on trains; that includes \$9,000 for meals and berths.

The CHAIRMAN: Is that for the full year?

Sir HENRY DRAYTON: That is your operators' meals and berths?

Mr. ROBB: Yes.

Sir HENRY THORNTON: That is revenue that reverts to the country? You get the money out of that.

Sir HENRY DRAYTON: But your operating ratio is such that you are not making money?

Sir HENRY THORNTON: No, but it does not mean paid to outside people.

Sir HENRY DRAYTON: \$46,000 for the cars. Now what is the next general item? What about the maintenance of the stations? Supposing, to save time, you just file a statement showing all that?

Mr. ROBB: Yes, I can give you a statement of that.

Mr. STEWART (Humboldt): And include in the item of "Broadcasting Stations," a division as between each station?

Mr. ROBB: Yes, I will do that.

Mr. MACKINNON: We all approve of the radio, and I think we should carry that item.

The CHAIRMAN: We are not carrying any item formally.

Mr. STEWART (Humboldt): Perhaps we could ask one or two questions in reference to this item, when the statement is brought down?

The CHAIRMAN: Yes, excepting that Mr. Robb may not be here.

Mr. ROBB: Mr. Henry has all the information.

The Committee adjourned.

COMMITTEE ROOM 429,

HOUSE OF COMMONS,

THURSDAY, May 7, 1925.

The Select Standing Committee on National Railways and Shipping met at 11 o'clock, a.m., the Chairman, Mr. W. D. Euler, presiding.

The CHAIRMAN: Gentlemen, if you will come to order we will go on; we have a quorum. At an earlier sitting a motion was made that we have a conference with the two railways and officials from the Post Office Department to talk over the allocation of mail-carrying contracts. I think Mr. Stewart made the motion, and I believe he has a motion to submit this morning with regard to that.

Mr. STEWART (Humboldt): I have, Mr. Chairman. I would like, first of all, to say that I made the motion with the purpose of permitting the Post Office officials to be here to make a statement, which we did not give them the privilege of making last year, as to their side of the case. However, after discussing it with some of them, I understand they have nothing they would care to state at the present time. I think I might further state that it has been intimated that possibly before the end of the work of this Committee, they will be in a position to place before us what they have done in connection with the advice we offered in our report last year. With that end in view, I would move that the previous motion be rescinded.

The CHAIRMAN: Are you content that the previous motion be rescinded? (The motion carried.)

Sir HENRY THORNTON: Might I say a word, Mr. Chairman? I would like to put on record that as far as the Canadian National Railways is concerned, our relations with the Post Office Department are most amicable and agreeable, and, while naturally we are trying to get as much business as we can for our lines, there has nothing developed between the Post Office Department and ourselves which might be regarded as unduly contentious. In other words, I would like the Committee to carry in their minds the thought that all the relations between ourselves and the Post Office Department are most amicable and harmonious, although we are trying to get all the business we can.

Mr. STEWART (Humboldt): And, Sir Henry (Thornton), you would go so far as to say that the alterations made during the year have been satisfactory?

Sir HENRY THORNTON: They have been satisfactory so far as anything short of 100 per cent can be satisfactory. We are always trying to get a little more, and naturally we must so try; that is the only way progress can be made.

Mr. STEWART (Humboldt): But the changes have been made in the direction you desire?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: That matter now being settled, we will proceed. At the last sitting we took up an item at the foot of page 20. We anticipated that in order to let Mr. Robb get away. Now, we might go back and take up another item. I think we stopped at "Insurance."

Mr. RINFRET: What page is that?

The CHAIRMAN: There are two items; one on page 19, No. 275, near the bottom, and the other is on page 20, No. 357. If there is no objection by anyone on the Committee, we might go on with that. Have you any questions, or shall we have Mr. Henry make a statement?

Mr. STEWART (Humboldt): There is a third insurance item, Mr. Chairman; No. 333, on page 20.

The CHAIRMAN: There are five altogether. Do you want to take them separately or in a general way?

Mr. HENRY: There are just two explanations which might be made in connection with that, one is in connection with account No. 275, that is, "Insurance of Buildings and Contents"—buildings all over the system.

Mr. HARRIS: There is a substantial increase?

Mr. HENRY: There is a substantial increase. That increase is due to the fact that in 1924 there was included in the insurance the material coming under that classification, under the Canadian Government Railways, which was not fully insured.

Mr. KYTE: Do you supply your own insurance?

Mr. HENRY: It is charged to the company.

Mr. HARRIS: What portion of this is carried by outside tariff companies?

Mr. HENRY: By outside tariff companies? All told, there is only \$2,600,000 carried outside.

Sir HENRY THORNTON: I can answer the question of Mr. Harris, and also one I think is in the mind of Mr. Kyte, at the same time. At the moment, all the insurance of the railway company is carried by the company itself, excepting certain small policies which have not yet expired, but which will soon expire. The policy which the company is proceeding upon is to do all its own insuring. (To Mr. Kyte) Does that answer your question?

Mr. KYTE: Yes.

Mr. HARRIS: For that purpose do you establish a subsidiary of your own?

Sir HENRY THORNTON: No; we have a department of our own, and we pay into that substantially the same premiums we paid to outside companies when they were doing the insuring, with the idea of building up for ourselves an insurance fund. Incidentally, that fund—and I am speaking somewhat from memory—amounts to something like \$5,000,000.

Mr. HENRY: \$5,400,000.

The CHAIRMAN: In what form is that?

Sir HENRY THORNTON: That money is invested largely in Victory bonds and securities of that character; largely Victory bonds and what you would call "gilt-edged" securities. In that connection, too, it will be interesting to note that our fire losses in 1923 were \$679,000, and in 1924 they were \$420,200, or a saving of about \$258,800 in fire losses. Now, the insurance department is looking after the insurance itself, and is also carrying on an active campaign all over the railway with the object of reducing fire losses.

Mr. HARRIS: Are they paying all the cost of that?

Sir HENRY THORNTON: Yes, it is charged against the fund and is so credited.

Mr. HARRIS: Have you any statement as to what additional costs that has incurred in the insurance branch, due to the intensive work of fire prevention?

Sir HENRY THORNTON: I can give you the details of that, but briefly, we are saving about \$1,000,000 by doing our own insuring after all the proper credits and charges have been made. One way, of course, of building up your insurance fund is to reduce fire losses. We have our inspectors who investigate the sanitary conditions about the stations, and we are carrying on a constant campaign amongst shop superintendents and station agents to keep the premises cleaned up, to keep waste paper away from the premises, and in general to follow the same principle that any man would follow in his house or about his

own premises, to prevent fire losses. Also, we are adding day by day to our fire-fighting facilities, extinguishers, water-barrels and things of that sort, and, generally speaking, there is an intensive campaign going on all over the railroad with a view of reducing fire losses. At the same time we are charging to our fund the usual premiums, and are gradually building that fund up, and eventually it will reach a point where it will amply take care of any possible loss we may experience.

Mr. HARRIS: Do you not think this 25 per cent increase is rather excessive?

Sir HENRY THORNTON: Increase in what, Mr. Harris?

Mr. HARRIS: In the cost.

Sir HENRY THORNTON: Mr. Henry just explained the details of that.

Mr. HARRIS: He did partly, but can you amplify that in any way?

Mr. HENRY: That is entirely due to the fact that we added about 30 per cent to the insurable property.

Mr. STEWART (Humboldt): You mean you changed the valuation—

Mr. HENRY: No. Originally there was no insurance carried on the properties of the Canadian Government Railways. The fire losses, as they occurred, were simply made good out of operating expenses direct.

Mr. HARRIS: You mentioned that capital addition of \$2,000,000—and some odd.

Mr. HENRY: Oh, no. The amount of insurance carried in outside companies at the end of 1924 amounted approximately to \$2,600,000.

Mr. HARRIS: What is the capital with the additional that was added?

Mr. HENRY: Roughly speaking, I would say it is somewhere in the vicinity of \$90,000,000. That is an estimate; I do not recall the exact figure.

Mr. HARRIS: In other words, you have \$90,000,000 more insured than last year?

Mr. HENRY: I would say so.

The CHAIRMAN: What is the total amount you now have under insurance?

Mr. HENRY: About \$350,000,000.

The CHAIRMAN: And only a little over \$2,000,000 in outside companies?

Mr. HENRY: Yes.

The CHAIRMAN: And that will be replaced by your own scheme as these policies expire?

Mr. HENRY: I think they have all expired by now—in April.

Sir HENRY THORNTON: Yes, I think they have all expired now.

Mr. MILNE: How long have you been in building up that reserve of \$5,800,000? How long have you been carrying on this insurance business?

Sir HENRY THORNTON: Mr. Henry tells me the old Grand Trunk—(To Mr. Henry.) Perhaps you had better explain that; you can do it in more detail than I can.

Mr. HENRY: I think the old Grand Trunk was insured for \$1,300,000. In addition to that, the old Canadian Northern Railway had insurance—

Mr. COOPER: It was only a very small amount; I would say that at the end of 1922 the fund was \$1,400,000.

Mr. HENRY: All told?

Mr. COOPER: All told.

Mr. HENRY: From March, you might say, of 1923, to date, the insurance fund has increased from \$1,400,000 to \$5,400,000.

Mr. MILNE: It looks like good business.

Sir HENRY THORNTON: It not only has been good business, but it has put us in a position to develop that which we constantly keep after, the scrutinizing of fire losses with a view to reducing them to the minimum.

The CHAIRMAN: Well, Sir Henry (Thornton), that is increasing very rapidly. You have over \$5,000,000; would it be your policy to constantly increase that, or after you have reached a certain figure, will you reduce your premiums?

Sir HENRY THORNTON: I think we ought to push ahead as rapidly as we can to build up that fund to a point where we are reasonably safe, and then we can begin to reduce the premiums charged to expenses, but I would want to develop a fund which will be an adequate protection against any very heavy or serious loss which we might sustain.

The CHAIRMAN: Could you give us about the amount—

Sir HENRY THORNTON: That is a little difficult to say. I would not like to be bound to this, but speaking tentatively, I should think that by the time our fund is between \$10,000,000 and \$15,000,000, we could begin to reduce the premiums, but I would not feel quite safe until it had been built up ultimately to about \$20,000,000. As I remember the figures, the reserve insurance fund of the Pennsylvania Railroad amounts to about \$20,000,000. I do not know what the New York Central's is. But most of the railways who are largely carrying their own insurance have built up quite a large protective fund, and I should think that by the time our fund reached \$15,000,000, we could begin to ease off a little on the premiums.

Mr. STEWART (Humboldt): What is the total of the insurance premiums, this year?

Mr. HENRY: \$1,652,169.

Mr. RINFRET: Most of that is paid to the fund?

Mr. HENRY: Yes.

Mr. RINFRET: And I suppose the interest on that amount goes to the reserve?

Sir HENRY THORNTON: To the reserve, yes.

Mr. STEWART (Humboldt): Would you build up the reserve until the revenue from it practically takes care of the insurance?

Sir HENRY THORNTON: Yes, plus, perhaps, some smaller premiums, but I should say we would be wise in pursuing this course until our fund is built up to such proportion as to adequately provide protection.

Sir HENRY DRAYTON: How is this fund carried?

Sir HENRY THORNTON: Mostly in the form of Victory bonds; practically all of it is Victory bonds. It is all Victory bonds plus about \$117,000 in cash which, at the moment, has not been invested, and interest of about \$57,000. You can see that the active capital in that fund is all in Victory bonds.

The CHAIRMAN: Would you say your losses of the last two years—\$420,000 and \$600,000—indicate a pretty fair average of what we might expect, or is it too low?

Sir HENRY THORNTON: Our fire losses?

The CHAIRMAN: Yes.

Sir HENRY THORNTON: I should think that the amount of \$420,000 we experienced in fire losses last year ought to be a decreasing quantity, although the trouble is you never can tell when, in spite of all you can do, and all the precautions you can take, you may suddenly in one year be confronted with serious disasters.

The CHAIRMAN: If you raised your reserve to \$20,000,000, the income should very nearly take care of the premiums?

Sir HENRY THORNTON: Yes, it would go a long way. What did you ask, Mr. HARRIS, I did not get your question?

Mr. HARRIS: Take the two or three years preceding; have you any figures to give us about those?

Sir HENRY THORNTON: I have only 1923 and 1924. We could easily give you the previous years, I think, if you want them.

Mr. HARRIS: That is not necessary, Sir Henry, but if you had had them with you, we might like to see them.

Sir HENRY THORNTON: I should think they might run \$700,000, or something like that.

Mr. JELLIFF: What proportion in value of the property do you insure, is it about the same as other companies?

Sir HENRY THORNTON: Mr. Henry can answer that question, I suppose.

Mr. HENRY: About what would be destroyed in case of fire; that is based on the value.

Sir HENRY DRAYTON: What you are aiming at, I suppose, is to get a fund the interest of which will to a great extent cover your fire losses?

Sir HENRY THORNTON: There is another very important point to be kept in mind, and that is, that you have no idea how much money can be saved by a constant campaign with respect to fire prevention at little outlying stations, in shops and places of that sort, and it is just as important to prevent fire as it is to build up a fund to take care of fire losses when they occur—a good deal more important.

The CHAIRMAN: Are there any other matters not covered by Item No. 275?

Mr. HENRY: In Item No. 414, Insurance, there is a substantial increase. That increase amounts to about \$162,000, largely due to our having heavier coal supply in stock, and the insurance on that has increased about \$150,000.

The CHAIRMAN: Any further questions?

Mr. RINFRET: I understand that that is carried on on the same principle as the previous item?

Mr. HENRY: Yes. It is carried in a fund of the same kind.

Mr. STEWART (Humboldt): The amount quoted as fire loss is not entirely due to Maintenance of Way and Structures?

Mr. HENRY: No, that is the total fire loss.

Mr. STEWART (Humboldt): And the \$1,400,000?

Mr. HENRY: \$1,652,000 is the total premium.

Mr. STEWART (Humboldt): So that the reserve was increased this year by over \$1,000,000?

Mr. HENRY: Yes, plus the interest.

Sir HENRY DRAYTON: That is satisfactory and indicates a proper policy.

Sir HENRY THORNTON: Of course I should never accept anything short of complete immunity from fire loss as satisfactory, but when we see a total fire loss of \$420,000, I think it is not very large, as such things go.

The CHAIRMAN: All right, let us take page 20, Railway Operating Expenses, and Maintenance of Equipment.

Sir HENRY DRAYTON: Mr. Chairman, I would like to mention that we have a caucus to-day at 11 o'clock, and that I spoke to the Minister about it.

The CHAIRMAN: What is your suggestion, Sir Henry.

Sir HENRY DRAYTON: The usual rule is that Committees are not supposed to meet when the parties are in caucus, or if Committees are meeting, they are adjourned.

The CHAIRMAN: I don't think anyone had any knowledge at all that there was to be a caucus.

Sir HENRY DRAYTON: I don't know whose oversight it is, but the notice has been out a few days.

The CHAIRMAN: They do not send a notice of a Conservative caucus to the Chairman of this Committee.

Mr. KYTE: The usual thing is to notify Mr. Todd. I called him up the day before yesterday, and learned that he had no notice of it.

The CHAIRMAN: There is no desire, so far as the Chair is concerned or the Committee to have a meeting at which all the members cannot be present, but it is rather embarrassing to have all the men here from the railways and for us not to go on. Whatever the wish of the Committee is, I am content. The caucus is to be held at 11.30.

Sir HENRY THORNTON: As far as we are concerned, gentlemen, we are most anxious to place ourselves at the convenience of the Committee, and if these exigencies occur we will gladly accommodate ourselves to them.

Mr. STEWART (Humboldt): I think it is most unfortunate to have brought these officials here through a misunderstanding, but at the same time I do not think while one of the parties is in caucus, that it would be fair to continue this investigation.

The CHAIRMAN: We had better consider whether we want to continue until the time of the caucus arrives and then adjourn, or to take up some of these matters now and deal with them, and if anyone wants to reopen any of them hereafter he may do so.

Mr. KYTE: We might continue until 1 o'clock.

Sir HENRY DRAYTON: I will make a suggestion to help out, that is, that we go on and we may have the right to open up again any matters we wish to open up afterwards. I think that will save a lot of time.

The CHAIRMAN: So long as you do not want to go over the whole thing again item by item.

Sir HENRY DRAYTON: If my suggestion is acted upon it will mean a saving of time and is a way of helping out.

Sir HENRY THORNTON: I have something which I think will help a little bit. If in your subsequent discussions there is anything at any time that Sir Henry wants to discuss, any of our officials will meet him at any time convenient to him and give him such information as he wants, which might be considered as part of the record, as far as we are concerned.

Sir HENRY DRAYTON: Let us go on with any single thing you want to go on with.

The CHAIRMAN: If we are to debate these various items to-day, and the rest of the members of the Committee should not be satisfied with it, it would be a waste of time if the members who are not here would want to go over the whole record again.

Sir HENRY DRAYTON: To save time, let us go ahead, subject to anything that is wrong or that we think is wrong.

Mr. KYTE: We would not want to open up every individual item again. Let us go ahead as long as we can.

The CHAIRMAN: All right. Let us take page 20, the first item under the heading of Maintenance of Equipment, No. 301, Superintendence. I see that that item is a little smaller, but not very much.

Mr. STEWART (Humboldt): Mr. Chairman, I would like if I may to interject something here. I have in my hand a letter which was addressed to one of the members of the House, who is not a member of this Committee. It is written

by the Secretary of a certain Lodge of the International Association of Machinists. Unless the Committee desire, I think it would be as well not to give the names, because it is a private letter. It was the intention of the member to bring this matter up on the Estimates, but it would save time and be more satisfactory to have a direct statement from Sir Henry Thornton in reply to certain matters raised by the Secretary of the Lodge I have referred to, in writing. If I have the permission of the Committee, I will read the letter.

The CHAIRMAN: Go ahead.

Mr. STEWART (Humboldt):

“EDMONTON, ALTA., 9th April, 1925.

Mr. KELLNER, M.P.,
House of Commons,
Ottawa.

Dear Sir:—A matter which is receiving attention at the present time is the supposedly high wages of railroad men. As shop workers we invite your assistance in helping us to obtain a higher wage commensurate with our necessary training and daily responsibility. The following facts will indicate our feeling on this matter.

For the last four years the main shop staffs have been working short time with prolonged lay-offs at each Dominion holiday season; our wages have been reduced 15 cents per hour during this period. For many months we were only permitted to work three days per week. To-day our average wage covering a period of half a month is less than \$60. If you are interested in the welfare of the Canadian National Railways we would suggest that you investigate the excessive number of officials all over the system, and in every department. The exorbitant prices at which articles are bought from such companies as McAvity, etc. The duplication of shops at many points, etc., etc. We feel that if the politicians would use their influence in the direction of improving the standard of living of the lower paid workers, instead of forever forcing the weakest to the wall the result would be beneficial to the country as a whole.

Trusting that this matter will be considered by you.”

I have also another statement, affecting a different class of labour, but I think possibly if Sir Henry would make a comprehensive statement in respect of these letters, it would be well for him to do so. In the meantime if you will permit me to read this other letter, I will read it. By the way, I notice it is simply a copy of a letter, and is addressed to Sir Henry Thornton, General-Manager C.N.R. and to others, from the Secretary of the Hamilton District Trades and Labour Council, under date of May 2nd, 1925. This letter reads as follows:

“HAMILTON, ONT., May 2.25.

Dear Sir:—At a meeting of the above Council held on May 1.25, I was instructed to bring to your attention the abnormally low rate of wages, twenty-five (25) cents per hour being paid to labourers recently hired, to work on the construction of a turntable, by the Bridge and Building Department of Division 17 at Hamilton.

These men work eight hours per day, making a total daily wage of two dollars. While we are fully aware of the intense industrial

depression existing in this locality, creating a serious unemployment problem, it should not be taken advantage of to hire labour at the rate referred to, and we are of the opinion that public opinion in this country does not favour the payment of a rate of wages that could not, with even the utmost strength of imagination, be termed a living wage.

"This Council fully appreciates the difficulty confronting the management of the Canadian National Railways, in its endeavour to place upon a sound economic basis a system all but wrecked by the inefficiency of its private owners. But we maintain that a fair rate of wages should be paid its employees, and trust that you will use your earnest endeavour to see that this is brought about."

The CHAIRMAN: Do you wish to say anything, Sir Henry?

Sir HENRY THORNTON: Well, Mr. Chairman, of course I am very much obliged to Mr. Stewart for having brought this question up, because it opens up a somewhat comprehensive field. The letters themselves are more or less general in character, consequently my answer, in the absence of more detailed information, must necessarily be general also.

Mr. STEWART (Humboldt): Will you permit me to say just here that my intention in bringing these letters before the Committee is not to deal with the individual cases to-day, but just to consider generally the statements made.

Sir HENRY THORNTON: In the first place, with respect to the rate of 25 cents per hour, I take it that that is the rate which is being paid to what we call casual labour, and the rate paid to casual labour on all railroads depends naturally on the relation of the supply to the demand. Sometimes it is 25 cents an hour, sometimes far more than that. For our casual labour we have generally paid a rate which would be sufficient to attract labour.

I think there may be an honest argument as to whether, irrespective of the going price of labour, any corporation should pay a rate as low as 25 cents, particularly considering the cost of living which obtains throughout Canada. That is a point with which I am much in sympathy. But in a general way, however that may be, we have paid the going rate in the different communities with respect to what is called casual labour. I do not know that I can say much more upon that particular subject. Now, in regard to short time—

Mr. STEWART (Humboldt): Here is an itemized statement of the charges, in that letter.

Sir HENRY THORNTON: Yes. Now, in regard to short time, that really means continuity of employment and that is a thing which has of late engaged the attention of railway officials all over the North American Continent. The practice in the past and to-day is that when times are hard and earnings are low, a railway company reduces its shop forces, postpones such repairs as it can, and generally endeavours to cut its coat to meet the cloth it may have. That means that shops are put on short time and the younger men are dismissed from the service, which is not a good practice; it is a practice which promotes unrest, brings distress to our employees, and generally speaking has a bad effect on the community as a whole. Therefore we are trying, along with other railway companies to so organize our shop work as to so far as possible eliminate what might be called spasmodic employment, and promote continuity of employment so that any man who works in our shops, except the casual labour we take on one month and let out another month, our permanent staffs in our shops will be assured every month in the year of a certain wage.

The Machinists' Union and ourselves are working hand in hand to see to what extent we can bring that about. One of the latest efforts in that direction is the introduction of what is generally known as the Baltimore and Ohio Co-operative Shop Plan. About a year ago the Machinists' Union approached

me with a view to introducing that plan in our shops. It had for its object an increase in output on the part of the shops, through more efficient work on the part of the workers themselves, a better organizing of the shop work, and of course this continuity of employment. It has been tried on the Baltimore and Ohio with conspicuous success. We took the question up with the Machinists' Union, and they assigned to us an efficiency engineer, who was a very intelligent, fairminded and able man, and after going into it we decided that it was well worth a trial. We perfected the details, and after a conference with the Union we put it into operation in our Moncton shops. It has been in operation only a few months now, but all the reports I have had thus far indicate that it is a very fruitful field, and as fast as possible we shall extend it to the rest of our plants.

We are working in perfect harmony in that connection with the Union itself and with the men. I merely mention that to outline first that we do recognize the importance of preserving the continuity of employment to our men, secondly, that the subject is receiving serious consideration and earnest thought upon our part.

Another thing that has been complained about, in the past, and justly, is putting out work to outside car-repairing firms, car manufacturing firms, when we are running short time in our own shops. I have said, in so far as policy is concerned, that we would not put out any work to outside firms so long as our own shops were running on short time, or in a position to do that work. If at any time the capacity of our shops is taxed beyond its limits, then of course we would be quite justified in calling upon outside firms to help out. But as long as the capacity of our shops remains unabsorbed, then we must take care of our own men and give them all of the work we have to do.

By Mr. Stewart (Humboldt):

Q. Pardon me interrupting. That is where the writer of the letter made reference to contracts, let to McAvity, was it?—A. (Sir Henry Thornton) I do not know about the detail of that. I am going to take this letter and go over it in detail afterwards, Mr. Stewart; I am only speaking now generally; and I can only say, the principle we are working upon, and I do not think anyone can question it, is that we must keep our shops running to capacity. If we have a shop that cannot turn out as cheap work as some outside firms can, then we have to correct that, by finding some way to reduce the cost, but generally speaking I feel that our first obligation is to our own men and we must leave nothing undone to provide them with continuous employment.

Now the other charge which is made with respect to excessive officers, is so general in character that it is almost impossible for me to answer it. I can only say that the head of the operating department is Mr. S. J. Hungerford, a man whose reputation is well known as an operating officer in Canada, who enjoys the confidence and respect of the railway community as a whole, and I doubt very much if he, in the performance of his functions would permit excessive officers in shops. It is not an unusual thing for a workman, who may not know all that the executives know, to say that excessive officers are employed. And on the other hand, it is not at all unusual for executive officers to feel that an excessive number of men is employed; but that charge is something that I would leave entirely to the responsible head of that department, having perfect confidence in his capacity, and in his ability, and in his desire to economize. However, it is one of those things which, having been brought to our attention, of course will be looked into.

By the Chairman:

Q. These men who are only getting 25 cent an hour would they be just casual employees?—A. I take it that that is what they must be. I imagine they are casual employees.

Q. Offhand, that does sound too low.—A. Yes, it does. I have always admitted that, but unfortunately I am sometimes “between the devil and the deep blue sea.” I am between two grindstones. I am influenced by the desire to pay fair living wages, and on the other hand, I am under constant pressure to reduce our expenses and it is not always easy to steer a precisely straight line between those two different efforts.

By Mr. Stewart (Humboldt):

Q. Let us look at it in this way: some specific work was referred to there, I do not recall what it was, but apparently that work is being done under the supervision of your own staff. If that were done by contract, the contract price would be based on the price of the labour that would offer at that time?—A. Undoubtedly.

Q. And if you let it by contract, you would have no control over the price paid, so that if you were going to do it as cheaply as you could by contract, you would have to take labour at the price you could obtain it.—A. Yes; although it is questionable whether that works out quite that way through a period of years. It might work out advantageously this year, and might not next year. Then you have always to remember this: it has been estimated that every time you let a man go—that is the ordinary railway employee—you lose anywhere from \$50 to \$500. There has been a very careful study of that situation made by the Policy Holders’ Committee of the Metropolitan Life Insurance Company. It has been published in book form and it deals with railway labour problems. That Committee worked in connection with the Trades Unions as well, and they estimated that every time you let a man go you lose from \$50 to \$500.

By the Chairman:

Q. Because of the cost of training the man?—A. Yes, because no matter how humble that employee may be, no matter how simple his work may be, you have always to spend a certain amount of money on educating him; and when he has been educated and has become familiar with his work, you let him go, then you kiss goodbye to whatever capital you may have spent in educating him. Therefore there is a very productive field of economy, which I touched upon in one of the earlier sessions of the Committee, in preserving continuity of employment with railway men. Lack of continuity has been one of the curses with railway labour.

By Mr. Stewart (Humboldt):

Q. Trained railway employees are not a staple commodity in the labour market, as are school teachers, perhaps, for example.—A. Well, there is a certain number of floating railwaymen. There is always a certain number of conductors, engineers and machinists, and others that you can get, but unfortunately, very often they are men who for some reason or other, a good reason, have been dismissed by some other railway company. It is very much better to take a man into your service and keep him there until he dies, if you can. It is money saved to the railway company, even if you may have to pay something to do it.

The CHAIRMAN: I imagine the cases you refer to, Mr. Stewart, are of unskilled labour; receiving 25 cents an hour.

Mr. STEWART (Humboldt): That is a matter separate from the other. That I think from the tone of the letter would be wholly unskilled labour.

SIR HENRY THORNTON: Mr. Stewart, Mr. Henry calls my attention to the fact that perhaps that 25 cent rate you refer to was for extra gang men, who, although they received 25 cents an hour, are boarded at the expense of the company, at a very small charge in temporary barracks, or boarding cars. It probably refers to that.

Mr. STEWART (Humboldt): The letter did not specify.

Sir HENRY THORNTON: Well, that may be the explanation. I do not know. Although, on the other hand, it is only fair to say that sometimes, in fact very often, it is much better for the man to live in his own home, under pleasant, sanitary and agreeable surroundings, than to live in a boarding car.

The CHAIRMAN: But that might explain the low rate.

Sir HENRY THORNTON: It may explain it in this case.

Mr. RINFRET: It would explain some such cases, anyway.

Sir HENRY THORNTON: Yes there are such cases undoubtedly.

Mr. STORK: Do you think, Sir Henry, there is a sort of growing tendency for development for railroading to be regarded as rather a seasonal occupation? I have this in view, that particularly perhaps in the east here, where during the winter season, with storms, snow and that sort of thing, railroaders are worked pretty continuously, but during the summer season, when trucks and automobiles and vehicles of that kind enter into active competition with the railroads—would that have a tendency to reduce the number of employees or the amount of work they would be called upon to do?

Sir HENRY THORNTON: Mr. Stork, in the railway industry we shall never get away from what is called the seasonal aspect of our work. Take our situation in Canada: obviously we must and do employ more men in the spring, summer and autumn, when we are doing our track work, than we do in the winter time, unless in the case of an occasional snowstorm, because in the winter you cannot do very much work on your track; you cannot lay rails; you cannot ballast, or go on with bridgework and things of that sort, which necessarily have to be done in the summer time. And that in turn means that necessarily in the summer time you must employ more men on the track than in winter. You cannot get away from it. But usually what happens is that we have a certain number of men who live in the community, and work for us in the summer time and they go into the bush or find some other occupation in the winter, and while they are seasonal, at the same time they are what you may call continual seasonal men, but there always must be a certain amount of seasonal employment on a railway, particularly in such a climate as ours, from which you cannot escape.

Mr. STEWART (Humboldt): Are those men you are referring to as being continual seasonal men, governed in their rate of pay by the Union?

Sir HENRY THORNTON: Oh yes. I am speaking now of our regular track gangs. They would receive the Union rate of pay when working.

Mr. STEWART (Humboldt): They would not come under this class?

Sir HENRY THORNTON: No, although, take our extra gangs, where we are doing a large job of ballasting, or of rail laying, which necessitates their employment because the work exceeds the ability of a section gang to carry on, we have floating gangs and extra gangs that move over the railway from place to place; those men, some of them may be casual men, and some may be these men I have just been speaking of to Mr. Stork.

Mr. STEWART (Humboldt): But they are hired at the going prices of labour in the competitive market.

Sir HENRY THORNTON: Well, if they are casual men, picked up from one season to another, they would probably get the going casual rate, whatever that might be; but I would like to make it quite clear that we are striving so far as we can, to work away from spasmodic employment, although probably we shall never be able to eliminate all of it, and it is a subject that is now engaging the very thoughtful attention of railway officers all over the North American Continent. In England the situation is entirely different. You do not have the

fluctuations we have in Canada, because the traffic is much less seasonal, and there is no interruption due to climate; you can do just as much track work and do better track work really, in England, in December and January than you can in June and July. So the situation there is different. In the southern States of the United States, I suppose they are not subjected to the same seasonal fluctuations as we are here on account of our climate.

Mr. JELLIFF: There are some occasions where a full quota is kept on where there is practically no employment for them in the winter?

Sir HENRY THORNTON: No, all our track gangs are reduced in the winter to that minimum which is necessitated by the safety of the traffic. In the winter time you can reduce your track gang to a foreman and one man, where the traffic is sparse and relatively unimportant; but on the main line, you would require a much larger force than that to take care of emergencies and patrol the track and see that the road structure is fit for traffic.

Mr. JELLIFF: Would you be willing to tell us what salaries are paid for shop superintendents.

Sir HENRY THORNTON: We can give you a general statement of about how it runs. Mr. Henry will make a note of that.

Mr. STEWART (Humboldt): The statement the Chairman has made, Sir Henry, gives one a view of the importance of the relationship between organized labour, the Union man, and the company. We have had a very satisfactory statement as to the relationship between the staff and the company. Perhaps Sir Henry would care to make a general statement as to how the company stands with regard to organized labour.

Sir HENRY THORNTON: Referring to this particular case; as a matter of fact I am rather surprised that this complaint did not reach me through the usual Labour Union channel, that is through the proper officers of the Machinists' Union. Ordinarily, the officers of Trade Unions deprecate any attempt on the part of their subordinates to deal in any other way on Labour matters than through the accepted channels. Although personally I am always ready to receive complaints through any channel, no matter what it may be, but I have had no intimation whatever from the proper officers of the Machinists' Union that there was any complaint with respect to these matters that you have brought to my attention; therefore it comes to me as somewhat of a surprise.

Generally speaking, I think I am safe in saying, that our relations with the various Trades Unions have been most cordial, and are agreeable. I know that no serious controversy exists. We have of course our discussions from time to time and our differences of opinion. Those differences have been invariably settled thus far by friendly discussion and negotiation, so that I know of no general lack of harmony with respect to any Trade Union, which may embrace the men in our employ, or any section of our men. The executive officers of the Trade Union pass through Montreal from time to time, and frequently come to see me, and we generally have very friendly discussions even though we may have nothing in particular to discuss between us. Only the other day the Grand Master of the Brotherhood of Locomotive Engineers spent most of an afternoon in my office. A very curious thing is that he was an engineer, an engineman, on the Long Island Railroad when I was General Superintendent there, and was head of the Grievance Committee of the Long Island, and we used to sit down in New York and discuss labour matters there, and now he came to my office the other day and I as President of the Canadian National, and he as head of his own organization, again had a discussion together.

Mr. STEWART (Humboldt): Are you a member of the Union still, Sir Henry?

Sir HENRY THORNTON: I only belong to one Trade Union. I am rather proud to say that I am a member of the National Union of Railwaymen in England. When I left England the men elected me an honorary member of the

Union, but that did not relieve me of the necessity of working more than eight hours a day. I think I am safe in making this statement, that our relations with the Trade Unions have always been singularly agreeable.

Mr. MILNE: If it is not prolonging the discussion too long, could we get some information of the conditions in Moncton, where you are trying out the Baltimore and Ohio scheme?

Sir HENRY THORNTON: I think the best thing to do would be to give you a little statement of just what this is and what it attempts to accomplish. And furthermore, I am not sure but what it might be interesting and if you care to take the time I will be very glad to have Captain Byer—who is the efficiency engineer of the Machinists' Union—come here and talk to you himself, and tell you what the whole situation is. I think you would find it very illuminating and I think he would be glad to do it.

The CHAIRMAN: Would he have to come from Moncton?

Sir HENRY THORNTON: No. He is in various places. He goes, more or less, all over the United States and Canada, but you cannot get a better man to tell you the situation than Captain Byer, and he could give you a view of it that it would be difficult for me to give.

Mr. ROBICHAUD: Mr. Chairman, would it be possible to have this matter of unskilled labour stand over until to-morrow? I have some correspondence with respect to this matter and in looking over my files I can only find part of it. I would like to have it all before me and to discuss the matter again before this Committee.

The CHAIRMAN: We can go back to that at the next sitting. We may not sit to-morrow. Shall we pass on to the next item? 302.

Sir HENRY THORNTON: Have I sufficiently answered your question, Mr. Stewart?

Mr. STEWART (Humboldt): I think you have, Sir Henry, although there are possibly one or two other charges in that letter that an answer might have been given to.

Sir HENRY THORNTON: For instance: "The wages of the men are too low." That is pretty general.

Mr. STEWART (Humboldt): Yes, that is very general.

Sir HENRY THORNTON: Second: "The main shop staffs have been working short time for the last few years." I think I have mentioned that. Third: "Prolonged lay-off each Dominion holiday." That is practically the same thing. "Wages have been reduced fifteen cents per hour during the last four years." Well, I should doubt that, but I will have to check it. I cannot answer it offhand, but I cannot imagine how that may be. Fifth: "For many months we have only been permitted to work three days a week." That is the same thing. "The average wage for half a month is less than \$60." That is in the same category with four. That is the reduction of fifteen cents an hour. I would have to look into that in order to say what it is.

Mr. STEWART (Humboldt): It was suggested a minute or two ago that you might bring forward a general statement as to wages in the shops. Was it just for the superintendents or was that more for the men?

Mr. JELLIFF: It could go a little further and I would ask that it go a little further.

Sir HENRY THORNTON: If they mean that the wage for half a month is less than \$60, I suppose that means that for the whole month they get \$120. I do not know why they use half a month as the yardstick to measure it by. "Seventh: excessive number of officers all over the system and in every depart-

ment." Well, that is such a glittering generality that it is almost impossible to answer it. I do not agree with it.

The CHAIRMAN: That would be your answer.

Sir HENRY THORNTON: I do not agree with it at all.

Major BELL: They use the half month, Sir Henry, because they are paid every two weeks.

Sir HENRY THORNTON: I suppose so. "Excessive prices at which articles are bought." Perhaps Mr. Vaughan can throw some light on that.

Mr. VAUGHAN: There are no excessive prices paid. We buy a few articles, such as high pressure valves, blow-off cocks, at McAvity's. They are bought at the very lowest prices. So far as prices generally go, I would be willing to say that there is nobody in Canada buys their goods any cheaper than we do, and very few as cheap. 999 out of 1,000 of the complaints against us are that we don't pay enough for the goods we buy.

The CHAIRMAN: I should think we should have something more specific than just a general complaint like that. You cannot answer it effectively unless you have something specific.

Mr. VAUGHAN: We have no price arrangement with McAvity's extending over a long time, which might be affected by a falling market.

Mr. ROBICHAUD: I do not think McAvity would sell anything to anyone except at the market price anyway.

The CHAIRMAN: That is quite a certificate of character.

Mr. VAUGHAN: Certainly our relations with that firm have been extraordinary satisfactory.

The CHAIRMAN: I think, Mr. Robichaud, that must be due to the fact that one of the heads of the firm used to conduct a business in the city of Kitchener, and it is well known that business morals are very high there, and I think he carried that with him.

Mr. ROBICHAUD: I do not think they will sell to anyone above the market price and the reason I say that is that I have bought some little things from them, and they would always give me the market price on the day that they shipped the goods.

Sir HENRY THORNTON: The eighth item is: "Duplication of shops at many points." If I were building the Canadian National system to-day, I have no doubt that a good many of the shops would be differently located, and some would be eliminated. It must be remembered that our National Railway system is more or less made up of fragments extending from the Atlantic to the Pacific; these fragments were built originally as separate railways, competing with each other and with the Canadian Pacific Railway; they were not built as one separate harmonious entity. Now we have got to take these shops as we find them and make the best we can out of them. In time we shall work away from this condition, but it is going to take a great many years.

Mr. JELLIFF: You will find it very difficult to move the shops.

Sir HENRY THORNTON: There is an awful uproar when you try to do anything of that sort and in a measure it is justified. I would like to point out that in comparing the Canadian Pacific with the Canadian National, the Canadian Pacific was built originally as one entity; its constructors had one objective. They developed the railway in harmony with the requirements of traffic, and they grew little by little, year after year, and always along a harmonious scheme and predetermined plan. Our situation is entirely different. We have had 22,000 miles of railroad thrown at us, all built separately by conflicting interests, with no harmony, and no regard one for the other, and our problem has

been to, as well as we can, create harmony out of a condition that was fundamentally chaotic. It will take some time to do that, and that is a disadvantage we suffer under, and from which we cannot escape.

Those are the various items you have given me, Mr. Stewart. I have answered them as well as I can.

Mr. STEWART (Humboldt): There is nothing further I wish to add. I anticipated your reply to the last one would be such as you have given, and the satisfactory part of it is the hope that eventually the duplication can be overcome.

Sir HENRY THORNTON: But it will take some time. For instance, every time that I see a shop that might be closed or consolidated with some other shop, at once I am confronted with all the trouble and disruption which goes with moving a number of men from one community to another, and in working these things out, we have to have reasonable regard for the welfare of the different communities we serve, and the interests of our own men. It has come to be more of a message movement than anything else; it must be done sympathetically, kindly, but persistently.

Mr. RINFRET: When you close a shop, what do you do with the building?

Sir HENRY THORNTON: We usually let it stand, unless we can sell it.

Mr. RINFRET: Is it a total loss?

Sir HENRY THORNTON: I do not think we have as yet closed any shops.

Mr. RINFRET: But you would have to consider that. It costs money to build shops.

Sir HENRY THORNTON: Some awfully funny things have happened on this railway. At Halifax, for instance, we have an engine-house—where? Where we can get at it? No; on top of a mountain, where you have to go all around Robin Hood's barn to get at it.

Mr. ROBICHAUD: Was it put there on purpose?

Sir HENRY THORNTON: I do not know how it got there, but it is one of the most extraordinary things I have ever seen in my railway experience, and it is one of the many things which we encounter.

Mr. RINFRET: Did that belong to the Intercolonial?

The CHAIRMAN: Somebody must have had a mountain to sell.

Sir HENRY THORNTON: Why in the name of heaven that thing was ever put up there, I do not know. I relapse into strong language every time I look at it.

The CHAIRMAN: The next item, "Shop machinery and Tools," a decrease there of over \$100,000.

Mr. RINFRET: That applies to what we have already discussed.

The CHAIRMAN: Yes. The next item, "Power Plant Machinery."

Sir HENRY THORNTON: A slight decrease.

The CHAIRMAN: The next item, "Power Sub-Station Apparatus"; the next item, "Steam Locomotives, Repairs, Depreciation and Retirements." There is a big increase in retirements, and a decrease in "Repairs"; a decrease of over \$1,000,000.

Sir HENRY THORNTON: I will let Mr. Henry explain each one of these items. He has the data there.

Mr. HENRY: The locomotive repairs decreased \$1,464,000; about \$1,200,000 of that was due to a decrease in locomotive traffic; the mileage decrease was 3.7 per cent. In addition to that, the operations of the reserves which have been set up in previous years accounted for a decrease of \$275 000. These two items substantially make up the difference.

Mr. STEWART (Humboldt): The item of "Locomotive Repairs": I suppose from year to year that bears substantially the same proportion of locomotive mileage?

Sir HENRY THORNTON: Yes, the functioning of the mileage. The more you use your locomotives, necessarily the more you have to repair them.

The CHAIRMAN: Could you tell us the value of the locomotives?

Mr. HENRY: Offhand, I cannot, no.

The CHAIRMAN: I was wondering what proportion the repairs bore to the cost.

Sir HENRY THORNTON: The book value is about \$90,000,000 for locomotives.

Mr. STEWART (Humboldt): What is the annual depreciation on a locomotive?

Mr. HENRY: Between three and four per cent, I believe.

Mr. STEWART (Humboldt): I see the item of "Depreciation"; is that arrived at by a definite percentage?

Mr. HENRY: We do not as a rule write off the depreciation on the lines in Canada.

The CHAIRMAN: You figure that the repairs take care of that?

Mr. HENRY: Yes.

Mr. STEWART (Humboldt): This item of depreciation refers only to American lines?

Mr. HENRY: Yes.

Mr. JELLIFF: What is the approximate cost of a modern locomotive?

Mr. HENRY: Mr. Vaughan can answer that.

Mr. VAUGHAN: It depends entirely on the capacity and type. On our 6000 type, the last cost is \$74,500 each plus sales tax; that is, the big mountain type engine.

Mr. JELLIFF: That is a freight engine?

Mr. VAUGHAN: No, a passenger engine.

Sir HENRY THORNTON: What is the cost of the 6000 type locomotive?

Mr. VAUGHAN: They cost \$74,500 each plus sales tax; they would be cheaper to-day if we were to buy them. We did not buy any this year.

The CHAIRMAN: Could you give any idea as to the extent the use of these large locomotives eliminates the smaller ones? Does it reduce the cost of operation, and if so, to what extent? Can you give us an idea of that?

Sir HENRY THORNTON: It reduces the cost of operation in this sense, that instead of running two passenger trains, or a passenger train in two sections, we can now run it in one. There is very large economy in it, and it improves the service to the public.

The CHAIRMAN: But it is harder on the road-bed

Sir HENRY THORNTON: Yes.

Mr. JELLIFF: How many of these were purchased last year?

Mr. VAUGHAN: In 1924 we purchased 21 of these.

Mr. JELLIFF: And what was the aggregate amount?

Mr. VAUGHAN: \$1,590,750.

The CHAIRMAN: Do you build any yourselves?

Mr. VAUGHAN: Yes.

The CHAIRMAN: Were they built at Kingston?

Mr. VAUGHAN: They were all built at Kingston.

The CHAIRMAN: None from the United States?

Mr. VAUGHAN: No.

Sir HENRY THORNTON: In answer to that question, Mr. Euler, I might say that we buy nothing outside of Canada that we can buy here in Canada. We do buy equipment for our American lines in the United States, but we must do it. If we bought it here, we would not only be paying a higher price for it, but we would be charged duty of about 25 per cent—

Mr. VAUGHAN: 35 per cent.

Sir HENRY THORNTON: Yes, 35 per cent.

Mr. VAUGHAN: A five per cent import tax.

Sir HENRY THORNTON: We buy such equipment as we require for the United States lines in that country necessarily. It is only the fair thing to do.

Mr. JELLIFF: How does the Kingston price for the same type of engine compare with the American price?

Sir HENRY THORNTON: You answer that, Mr. Vaughan.

Mr. VAUGHAN: It would be very substantially higher; it would not be equivalent to the American price plus the duty, but would probably be within about 20 per cent of the American price plus the duty.

The CHAIRMAN: What is the duty?

Mr. VAUGHAN: 35 per cent.

The CHAIRMAN: The first thing we know we will be getting into a tariff discussion, and we want to sidestep that, if we can.

Mr. MILNE: How many locomotives were retired?

Mr. HENRY: In 1924, 101.

Mr. MILNE: And how many added?

Mr. HENRY: The same amount, 101.

Mr. RINFRET: Was that intentional, or just happen to be that way?

Mr. HENRY: Just happened to be that way.

Mr. STEWART (Humboldt): What is the general trend on the Canadian National with regard to the size of locomotives—to increase, decrease, or remain about the same?

Sir HENRY THORNTON: To increase, Mr. Stewart, up to what the circumstances might justify. Perhaps, this will help you a little in that connection: The efficiency with which you conduct your transportation depends upon getting each car loaded to its capacity, and secondly, putting behind your locomotives a sufficient number of cars so loaded as to entirely absorb the engine capacity. Now, following that a little further: the bigger your locomotive, the more tonnage you can get behind it at practically the same cost for a crew; therefore, it comes to this, that your efficiency depends very largely on your average tons per train, and that means constantly increased locomotives up to the capacity of your track and bridges.

The CHAIRMAN: In what section of the system do you run these very large engines?

Sir HENRY THORNTON: The 6000's are mostly run between Montreal and Toronto. We are running some into the Maritimes.

Mr. STEWART (Humboldt): Those are passenger engines?

Sir HENRY THORNTON: Yes.

Mr. STEWART (Humboldt): I have heard the statement that the number of tons hauled by an engine on the prairies has been greatly increased in the last year or two. Is that a fact?

Sir HENRY THORNTON: Yes, we have increased our tons per train year by year, and there has been a marked improvement on the western region. (To Mr. Henry) Can you give us that figure?

Mr. HENRY: I can get it for you, Sir Henry.

Sir HENRY THORNTON: (To Mr. Stewart) If you would like to have it, we will get it for you.

Mr. STEWART (Humboldt): I think it would be interesting.

The CHAIRMAN: Are these the largest locomotives of their kind?

Sir HENRY THORNTON: I do not know whether you could say the 6000 type passenger locomotives are the largest ones, but they are very large locomotives. I personally think they are the finest passenger locomotives running on any railway, for their capacity.

Mr. MILNE: Could you give the increased tonnage for the different regions?

Mr. HENRY: It is given for the system as a whole; it has increased, I think, about 15 tons. In 1923, it was 501 tons; in 1924, 516.

Sir HENRY THORNTON: We can give it to you by regions. There are always certain limitations that creep in. The number of tons per train depends a great deal on how your traffic is balanced, and it depends on your grades. There are certain limitations which more or less determine your ability to get the maximum capacity out of your engine. That must always be kept in mind.

Mr. STEWART (Humboldt): We formerly heard a good deal about mountain engines. I do not think I have heard the term recently. Will the statement as to the tonnage hauled on the various regions make a fair comparison with the tonnage hauled to Vancouver as compared with that hauled to Fort William and Winnipeg?

Sir HENRY THORNTON: The statement we will give you is the average number of tons, which is determined by taking the total tonnage and dividing the engine mileage into it. This is an empiric or academic figure, but it is the yardstick used by railway men to more or less determine the efficiency of railway operation, and in using that as a measure of efficiency, you have always to take into consideration the grades, the volume of traffic, the capacity of the locomotives, and the balancing of the traffic.

Mr. STEWART (Humboldt): Would it be possible for us to get information which would show the possibilities of the haulage of tonnage through the mountain regions as compared with the prairie region?

Sir HENRY THORNTON: I think I know what you have in the back of your head, Mr. Stewart. Fortunately our mountain grades are favourable. That is an advantage we enjoy.

The CHAIRMAN: You mean from Jasper down to Vancouver?

Sir HENRY THORNTON: On our Vancouver tonnage. It is probably the most valuable asset the Canadian National has.

Mr. RINFRET: I understand the average rate is higher through the mountains than on the prairies?

Sir HENRY THORNTON: Yes. There is an additional constructive mileage added in determining the freight rates on account of the alleged mountain grades, but that applies more to the Canadian Pacific Railway than it does to us. They are under a considerable disadvantage in moving westbound traffic to the Pacific Coast, because their grade would be about—(To Mr. Henry) What? Two per cent?

Mr. HENRY: 2.2 per cent.

Sir HENRY THORNTON: While ours is very, very much less.

The CHAIRMAN: What is the grade on that road from Jasper or Fort George down to Vancouver? It is very low, is it not?

Sir HENRY THORNTON: I think we have about 20 miles of one per cent grade—is it not, Mr. Brown?

Mr. BROWN: .5 westbound.

The CHAIRMAN: What is the line to Prince Rupert?

Sir HENRY THORNTON: About the same.

Mr. STORK: May I ask regarding the grade to Prince Rupert?

Sir HENRY THORNTON: I have just answered that it is about the same.

The CHAIRMAN: Is the grade to Prince Rupert about the same as it is to Vancouver?

Sir HENRY THORNTON: It is about the same. This point has to be taken into consideration, that in getting this grade we had to invest a great deal more in construction, than if we had accepted the higher grades, so we have a larger interest charge to pay.

Mr. STEWART (Humboldt): I did not introduce the question of rates. I was trying to get at the matter of tonnage.

Mr. JELLIFF: I wanted to introduce the matter of rates. I wanted to ask if this capacity to haul larger trains did not have a very important bearing on rates?

Sir HENRY THORNTON: Of course, it has a very important bearing on rates.

Mr. JELLIFF: That is what we want to see developed in the Prairies.

Sir HENRY THORNTON: The point there is that having an asset in our low grades, we are trying to make as much out of them as we can.

Mr. RINFRET: It could not be otherwise.

The CHAIRMAN: The next item, No. 311, "Other Locomotives." That is just a small item.

Mr. STEWART (Humboldt): What does "Other Locomotives" mean, gas motors and the like?

Sir HENRY THORNTON: Those are electric locomotives.

The CHAIRMAN: The next is Depreciation, which is the same, and no Retirements.

The next is No. 314, Freight Train Cars—Repairs. That is a big item, but something over \$3,000,000 less this last year. What about that, Mr. Henry?

Mr. HENRY: About \$1,000,000 of that is due to reduction in car mileage, and another million is due to a change in our accounting methods.

Mr. STEWART (Humboldt): Have you the figures as to the percentage of reduction in the car mileage?

Mr. HENRY: 8.7 per cent.

Mr. RINFRET: Does that mean less freight carried?

Sir HENRY THORNTON: It means less freight carried, partly, and carrying what was carried at a less mileage, mostly, however, due to reduced traffic.

The CHAIRMAN: The next item is Depreciation. How is it that that is so much greater than the year before?

Mr. HENRY: That of course applies largely to the Western Lines, and is due to a 4 per cent depreciation in 1924 on additional new equipment received in the latter part of 1923, and on certain equipment which had been previously leased by the Canadian Lines to the Grand Trunk Western but sold January 1st, 1924.

The CHAIRMAN: Figured on the larger sum, I suppose?

Mr. HENRY: Yes.

The CHAIRMAN: I see the Retirements were quite heavy.

Mr. STEWART (Humboldt): Double.

The CHAIRMAN: More than double.

Mr. HENRY: That is item No. 316. That is due to the Grand Trunk Western Lines' proportion, the Canadian Government Railway proportion in connection with charges on freight trains retired during the year and only replaced in 1924, and similar charges in the 1923 accounts were not included in this, but were charged to the Reserve, \$350,000 due to that.

Mr. JELLIFF: Did we get any account of the Reserve, the way it stands? We had quite a discussion of that last year, and I am anxious to find how it is now.

Mr. HENRY: On December 31st, 1923, the amount standing to the credit of the Reserve was \$2,011,000, and on December 31st, 1924, \$1,096,000. The decrease in the Reserve amounted to \$916,000 roughly.

The CHAIRMAN: The next item is No. 317, Passenger Train Cars—Repairs. I see that item was slightly reduced last year.

Mr. HENRY: That is only a small reduction, 1.5 per cent.

The CHAIRMAN: Any questions?

Mr. STEWART (Humboldt): Was there a reduction in the passenger car miles last year?

Mr. HENRY: No, I think they increased slightly. They did increase slightly.

Mr. RINFRET: How is it there was no increase in the traffic; there must have been a demand for the services?

Mr. HENRY: There was a slight increase there.

The CHAIRMAN: The next is No. 318, Passenger Train Cars—Depreciation. I see that more than doubled.

Mr. HENRY: The increase there is \$31,000. That was on the Grand Trunk Western Lines, and was due to a greater or less extent to depreciation on additional equipment acquired during the year.

The CHAIRMAN: No. 319, Passenger Train Cars—Retirements. I see there has been a reduction there.

Mr. HENRY: That is only a small item, \$18,000.

The CHAIRMAN: No. 320, Motor Equipment of Cars, Repairs, a small item of \$20,000 odd. Is that electric motors on branch lines?

Mr. HENRY: That is the electric equipment on cars.

The CHAIRMAN: No. 323, Floating Equipment—Repairs, \$139,555.51. What does that mean?

Mr. HENRY: That refers to the Ferries between Detroit and Windsor.

The CHAIRMAN: No. 324, Floating Equipment—Depreciation, the same as the year before, without any Retirements. The next is No. 326, Work Equipment—Repairs. I suppose that refers to your wrecking trains, and things of that sort?

Mr. HENRY: Work equipment of all kinds. There is possibly a little explanation necessary there. In previous years locomotives and cars were included in Working Equipment. This year the repairs to locomotives were included in Locomotives.

Mr. STEWART (Humboldt): You mean locomotives used in work service?

Mr. HENRY: Yes, sir.

The CHAIRMAN: No. 327, Work Equipment—Depreciation, and No. 328, Work Equipment—Retirements. Have you any questions upon these items? If not, No. 329 is next, Miscellaneous Equipment—Repairs, not a large item. There is no Depreciation, and there are no Retirements.

The next is No. 332, Injuries to Persons. There is quite an increase in that item.

Mr. HENRY: There was an increase of \$78,000 there. The Atlantic Region compensations on the Canadian Government Railways in 1923 were paid direct from Ottawa, and were not taken into the Railway Accounts. In 1924 those items were included in the Railway Accounts. They amounted to \$36,000. On the Central Region there were fairly heavy claims, which increased the amount by \$29,000.

Mr. STEWART (Humboldt): Does that item include Liability to Employees?

Mr. HENRY: Yes, that is covered there, the compensation.

Mr. STEWART (Humboldt): Also to the public, the whole thing is included in the one item?

Mr. HENRY: Yes.

Mr. STEWART (Humboldt): How would that be divided as between the public and the employees?

Mr. HENRY: Mr. Cooper corrects me there; he says that it is all employees.

Mr. COOPER: Injuries to the public were in the Transportation Account.

The CHAIRMAN: We will take that up when we come to it.

Sir HENRY THORNTON: That will come under Item No. 420.

The CHAIRMAN: The next is 334, Stationery and Printing. Are there any questions? There is a little reduction from the previous year, some \$3,700. The next is No. 335, Other Expenses. There is a reduction in that item of nearly \$5,000.

The next is No. 336, Maintaining Joint Equipment at Terminals. That shows an increase.

Mr. HENRY: It is only a small increase, some \$31,000, due to an adjustment in 1924 of charges between the Canadian Government Railways and the Grand Trunk Railway over a period prior to the amalgamation.

Mr. STEWART (Humboldt): Was that credit item increased, on the same adjustment?

Mr. HENRY: That is due to an increase in the repairs on the Wabash joint track arrangement that extends between Detroit and Buffalo or Fort Erie.

The CHAIRMAN: The Maintenance of Equipment total shows a reduction of between \$4,000,000 and \$5,000,000?

Mr. HENRY: \$4,240,000 approximately.

The CHAIRMAN: We will now go to the next page.

Mr. STEWART (Humboldt): Before we leave that, Mr. Chairman, I did not get the figures that were given as to the standing of the Reserve Account, and I would like to make a note or two of that, if Mr. Henry will give it to us.

Mr. HENRY: As at December 31st, 1923, it stood at \$2,011,797, and as at December 31st, 1924, it stood \$1,095,893.

The CHAIRMAN: We will go on to the first item on the next page, Superintendence, No. 371. That shows an increase of \$300,000.

Mr. HENRY: That increase is largely due to accounting adjustments. In 1923 Special Agents' Pay Rolls were charged to accounts Nos. 373 and 377, whereas in 1924 they were charged to Account No. 371. Railway Telegraph Operators in 1923 were charged to accounts Nos. 407 and 452. The salaries of Master Mechanics were charged to Account No. 301 in 1923, whereas in 1924, 50 per cent was charged to Account No. 371.

The CHAIRMAN: Why did you make the change?

Sir HENRY THORNTON: There was no special reason except that it was found to be better accounting. As I explained I think in one of our earlier

sessions, when we first set up our accounts and started off with Consolidated Expenses, we necessarily had to do the best we could in the light of experience and knowledge. This year we found certain accounts which were misplaced in previous years, and in order to get our accounts on a thoroughly correct business basis we have had to make a few alterations here and there in the charges.

The CHAIRMAN: So that practically there is no real increase there?

Mr. HENRY: No.

The CHAIRMAN: No. 372, Dispatching Trains \$1,399,128.67.

Mr. HENRY: Only a slight increase there, largely due to an extra set of dispatches on the Horne Bay Division on account of the Long Lac cut-off.

The CHAIRMAN: No. 373, Station Employees.

Mr. HENRY: There was a decrease in that item, due in part to a decrease in station employees following a falling off in the traffic.

The CHAIRMAN: No. 374, Weighing, Inspection and Demurrage Bureaus, a not very large item.

Mr. HENRY: That is only a small amount, \$3,000.

The CHAIRMAN: No. 375, Coal and Ore Wharves, \$141,965.27. Is that the maintenance of them?

Mr. HENRY: No, sir, that is Operation; that is at the Port Arthur Coal and Ore Dock.

The CHAIRMAN: There is a reduction. Where would that be, at Port Arthur or at Fort William?

Mr. HENRY: I think that is the Canadian Northern Coal and Ore Dock at Port Arthur.

The CHAIRMAN: Wouldn't you have one at Montreal too?

Mr. HENRY: No; we have no docks in Montreal.

Mr. JELLIFF: Would repairs be included in that item?

Mr. HENRY: No, this would be Operation only.

The CHAIRMAN: The next is No. 376, Station Supplies and Expenses.

Mr. COOPER: That shows a slight increase, due really to an accounting adjustment. There is not any actual increase.

The CHAIRMAN: No. 377, Yard Masters and Yard Clerks, \$2,436,287.56. What about that?

Mr. COOPER: That also is an accounting adjustment.

The CHAIRMAN: No. 378, Yard Conductors and Brakemen.

Mr. HENRY: There is a reduction there of \$544,336. That is estimated to carry with the traffic; the mileage in the yard switching of freight traffic decreased 9 per cent, and that would account for nearly \$500,000 of that item.

The CHAIRMAN: No. 379, Yard, Switch and Signal Tenders. That shows an increase.

Mr. HENRY: An increase of \$46,965. There was an adjustment responsible for \$40,000 of that amount.

The CHAIRMAN: That leaves that item practically the same?

Mr. HENRY: Yes.

The CHAIRMAN: No. 380, Yard Enginemen; what about that item?

Mr. HENRY: This account varies very closely with the traffic. There was a decrease in yard switching of 9 per cent, which corresponds very closely with the actual reduction.

The CHAIRMAN: No. 381, Yard Motormen, a very small reduction.

Mr. COOPER: Yes. That is but a small item.

The CHAIRMAN: No. 382, Fuel for Yard Locomotives. I see quite a reduction there.

Mr. COOPER: Yes, a reduction of \$715,845.

Mr. JELLIFF: Where is the fuel purchased?

Mr. HENRY: It is purchased in various sections. Mr. Vaughan can speak as to that.

Mr. VAUGHAN: It depends entirely upon where the yard locomotives are operating. In certain territories we buy Canadian coal, and in certain other territories we buy American coal, depending upon where the coal can be delivered at the least cost to the railway.

Mr. STEWART (Humboldt): The quantity would vary with the transportation, no doubt, but how did the cost in 1924 compare with the cost in 1923?

Mr. VAUGHAN: It was lower, substantially lower.

Mr. STEWART (Humboldt): That would apply to yard locomotives and to other locomotive fuel?

Mr. VAUGHAN: Yes.

Mr. HENRY: I can give you a statement indicating the results of economies on coal. Practically speaking, last year the coal bill for train and yard locomotives—for the increase—amounted to \$5,648,000; of that \$2,374,000 was due to a decrease in price; \$2,100,000 due to a decrease in traffic and about \$1,100,000 due to a greater efficiency in the use of coal.

Mr. JELLIFF: Do your records show where this coal was purchased?

SIR HENRY THORNTON: Mr. Vaughan had better answer that.

Mr. VAUGHAN: Yes. I may say that we use all Canadian coal for our lines, say from Halifax up to Coteau Junction. From about Brockville to Detroit we use American coal. We use American coal at Port Arthur, as far as Winnipeg; and Canadian coal beyond Winnipeg to the Coast.

Mr. JELLIFF: Where do you get the coal, at Winnipeg?

Mr. VAUGHAN: From half a dozen mines in the West. Mines on our own lines.

Mr. JELLIFF: From Drumheller?

Mr. VAUGHAN: No, we cannot use that for engine purposes. We get some from the Cadamon Coal Company, the Mountain Park Coal Company, the Luscar Coal Company, the Brazeau Collieries; we get some from the Sterling Coal Company, the Colvalli Coal Company, and we get some coal on Vancouver Island, from the Western Fuel Corporation, which we bring over to Port Mann. It is all distributed on the basis of cost and the lowest haul.

Mr. JELLIFF: Do you get any from the Pincher Creek district?

Mr. VAUGHAN: No, that is all on the C.P.R., and we would have to pay a freight rate.

The CHAIRMAN: The next item is Yard Switching Power produced. A small item.

Mr. HENRY: \$16,000. Part of that is a decrease.

The CHAIRMAN: No, it is an increase there; you are thinking of power purchased. A decrease of about \$16,000.

Mr. HENRY: Yes.

Mr. STEWART (Humboldt): Just a moment, Mr. Chairman. What yard is that, and is that electric power?

Mr. HENRY: Yes, that is at St. Clair.

The CHAIRMAN: Water for Yard Locomotives. Quite an increase there.

Mr. HENRY: That is due to a difference in accounting as between accounts 385 and 397. Combined there is really a decrease of \$81,000, due to distribution as between the two accounts. Account 385 shows an increase. In 1923 the expense, divided between the two accounts, was on an average basis, whereas in 1924, the distribution was based on the fuel consumed.

The CHAIRMAN: Lubricants for Yard Locomotives. A little smaller.

Mr. STEWART (Humboldt): Are the lubricants used, Canadian products?

Mr. VAUGHAN: No, I do not think they are Canadian products. Some of them are refined in Canada, but the valve oils for locomotives are all made from Pennsylvania crude. The crude oil is usually imported crude and refined at Sarnia or wherever the oil comes from.

The CHAIRMAN: Other supplies for yard locomotives.

Mr. HENRY: A small decrease.

The CHAIRMAN: Engine House Expenses—yard.

Mr. HENRY: That is a decrease of \$46,000.

The CHAIRMAN: I suppose that is the result of less business?

Mr. HENRY: Yes, a general decrease due to less business.

The CHAIRMAN: Yard Supplies and Expenses. A little higher.

Mr. HENRY: A slight increase there of \$2,000.

The CHAIRMAN: Operating Joint Yards and Terminals. A decrease.

Mr. HENRY: A decrease there of \$389,812. The explanation there is that it is due to a change in accounting, which was brought about by the consolidation. In 1923 the practice in effect prior to the consolidation, was that for Joint Facilities the operating company charged operating expenses to the primary accounts and took credit through Account 391 for the proportion chargeable to the other carriers. The other carriers charged us through Expense Account 290, but many of the bills charged in 1923 were bills which were in arrears as well as for current expenses in 1924. So far as intra-corporate Joint Facilities for accounting were concerned the expense was divided through the Primary Accounts. In other words, it was due to consolidation entirely.

The CHAIRMAN: Train Enginemen. A decrease of over a million. The same reason as for many of the others, I suppose, less business.

Mr. HENRY: Yes, less business.

The CHAIRMAN: Train Motormen.

Mr. HENRY: There was probably a little increased efficiency there.

Mr. JELLIFF: Was there any decrease in wages at all Mr. Henry?

Mr. HENRY: I don't believe there was, no.

Sir HENRY THORNTON: No. There was no decrease, but there was a slight increase made on the Grand Trunk Western Lines. The answer is correct though, that there was no decrease.

The CHAIRMAN: Train Motormen. An increase.

Mr. HENRY: That is because more motor cars were put on.

The CHAIRMAN: Fuel for Train Locomotive. A big decrease there.

Mr. HENRY: The same explanation as was given in connection with yard locomotives.

The CHAIRMAN: Train Power Produced; and Purchased.

Mr. HENRY: That is due to the increased use of battery cars.

Mr. STEWART (Humboldt): For information; is there a Union for Motormen?

Sir HENRY THORNTON: Oh yes. It is not a separate Union. Motormen generally on so-called steam railways are members of the Brotherhood of Locomotive Enginemen.

Mr. STEWART (Humboldt): I was wondering if there would be a separate union created by these cars?

Sir HENRY THORNTON: No.

The CHAIRMAN: Water for Train Locomotives.

Mr. HENRY: A large part of that was due to reduction in service.

The CHAIRMAN: Lubricants for Train Locomotives.

Mr. HENRY: That is the same explanation.

The CHAIRMAN: Other supplies for Train Locomotives. The same thing there.

Mr. HENRY: I think so.

The CHAIRMAN: Engine House Expenses—Train.

Mr. HENRY: That decreased \$391,000. Probably \$250,000 of that is due to decreased traffic. The balance due to greater efficiency.

The CHAIRMAN: Trainmen. A decrease there.

Mr. HENRY: The same reason.

The CHAIRMAN: Train Supplies and Expenses. A little bigger, not much.

Mr. HENRY: An increase of \$12,862. That is a very small increase.

The CHAIRMAN: Operating Sleeping Cars.

Mr. HENRY: That is an increase of \$48,310.

The CHAIRMAN: Did you put on any new cars last year?

Mr. HENRY: Well, yes. The Sleeping and Parlor Car mileage was increased slightly.

The CHAIRMAN: Did you put on more of your own cars?

Mr. HENRY: Yes, I think we did.

Sir HENRY THORNTON: That is the explanation. We added to our own Sleeping Car mileage.

The CHAIRMAN: This company was using Pullman cars. Signal and Interlocker Operation.

Sir HENRY THORNTON: That is a slight decrease.

The CHAIRMAN: Crossing Protection.

Mr. HENRY: \$25,942; that is a small decrease.

Sir HENRY THORNTON: Due partly to the construction of a few subways and the elimination of crossing watchmen.

The CHAIRMAN: You did not do much in the construction of subways last year, did you?

Sir HENRY THORNTON: I think one or two came in. That would explain part of it. The rest of it is probably due to taking off crossing watchmen and putting on bells or signals, or something of that kind.

Mr. STEWART (Humboldt): That is generally found cheaper, is it?

Sir HENRY THORNTON: I think so, yes, unquestionably.

The CHAIRMAN: Is the installation cost heavy, of putting those in?

Mr. BROWN: The flasher or the wigwag is the one generally adopted now. They run about \$1,800 to \$2,000, depending on the circuits.

The CHAIRMAN: The maintenance would not be heavy?

Mr. BROWN: No.

Sir HENRY THORNTON: You save the wages of a watchman which would pay very good interest on the investment.

Mr. STEWART (Humboldt): On what principle do you work as to whether you shall put in a signal at a crossing?

The CHAIRMAN: The local people ask for it I suppose.

Sir HENRY THORNTON: It is usually a matter of judgment. I should say that when you have a very busy crossing and a great deal of traffic, you have more or less got to put on a crossing watchman. Where the traffic is not heavy, and a wigwag signal will do the work as well as the crossing watchman, we put that in. It is a matter of judgment with respect to local conditions.

Mr. BROWN: Many of them are ordered by the Board.

Sir HENRY THORNTON: Yes, to a large extent, as Mr. Brown says we have to follow the instructions of the Board of Railway Commissioners.

Mr. MILNE: They are operated with storage batteries are they?

Mr. BROWN: Generally. We can put some on the wire circuit, but generally with storage batteries.

The CHAIRMAN: Drawbridge Operation. Telegraph and Telephone Operation.

Mr. HENRY: A decrease there of \$165,000. Part of that is due to a decrease in traffic, and the balance is due to a different system being adopted in charging the expenses. In 1923 on the Central Region, a portion of the payroll of Supervisors of Telegraphs and Telephones, covering the railway Telegraph offices and switchboard offices at Toronto, was charged to this account. In 1924, similar expenses were charged to the appropriate primary expense account to which the office expenses of the department they served were charged. Railway Relay Officers were charged in 1923 to this account. They were distributed.

Mr. STEWART (Humboldt): How do you arrive at the cost of Telegraph Operation when you have so many station agent operators?

Mr. COOPER: The cost of the telegraph service is divided between the commercial and the railway, is that what you mean?

Mr. STEWART (Humboldt): No, I am thinking of how you would divide or apportion the wages of your station agents.

Mr. COOPER: The operators get a commission on the telegraph business. That is all the pay as far as they are concerned.

Sir HENRY THORNTON: What Mr. Stewart means is this, that if you have a station where there is just an agent and the telegraph instruments, how would you divide his salary as between telegraph and station work?

Mr. COOPER: He is paid two salaries. He is paid by the railway and by the telegraph. The telegraph people give him a small commission.

Sir HENRY THORNTON: His wages are paid by two units; what the telegraph company pay him and what the railway company pay him.

Mr. STEWART (Humboldt): That would explain it. I did not understand the basis.

Mr. STORK: Has your department of Telegraphs, Sir Henry, given any consideration to the cutting out of duplication as between the railway company and the Government lines? I have in mind the duplication along the line of the Grand Trunk Pacific from Jasper into Prince Rupert. The Canadian Government Telegraph line runs parallel with that of the Canadian National and I think there would be a very good opportunity of consolidation.

Sir HENRY THORNTON: We have to all intents and purposes, consolidation now. The telegraph is a department of the railway and they are working in perfect harmony. I do not know of any duplication of staff.

Mr. STORK: I mean to say this: that the Government line has its complete line with staff of telegraphers and the whole equipment, all on that line, and so has the railway. They each have an office in Prince Rupert, two competing offices, one "Canadian Government Telegraph Line," and one "Canadian

National Line" and I think it would be a very wise thing if we could amalgamate the two of them and cut out the Government line entirely. I wondered if your department had taken that up with the Government.

Sir HENRY THORNTON: That is a question I would have to look into before I could answer it. I daresay there is an answer to it, but offhand I do not know quite what it is.

The CHAIRMAN: How would the Government have a line there apart from the railway?

Mr. STORK: It was in before the construction of the railway, as the Yukon Telegraph Line, running from Ashcroft to Hazelton, and then to Prince Rupert. There is an entire duplication there, and both owned by the Government of Canada, and I would be glad to see your department, Sir Henry, take up the question all along the Government line there.

Mr. STEWART: We have a similar situation in Saskatchewan, a line built across the Province prior to the Northern Railways, at any rate coming into operation. I am not sure whether that is wholly cleaned up yet; it has been, in pieces, as the railroads were built, and put their lines into operation, parts of the other were dismantled.

The CHAIRMAN: I would think the railway certainly must have their telegraph line and it would be up to the Government to get in touch with the railway and see what could be done.

Mr. STORK: The Government is not anxious to let go any business.

The CHAIRMAN: They are not making much money out of it.

Mr. STORK: No, I imagine the railway could take over the whole of it.

Sir HENRY THORNTON: I would have to refer to that again. Frankly I do not know offhand what the position is. It would seem to be an essential thing to do.

Mr. JELLIFF: What department would that be under?

Mr. STORK: It is under the Public Works Department. To digress for a moment: the Department of National Defence have installed a wireless plant away up in the Mackenzie River Country and have gone into commercial telegraphy, reaching the Yukon by way of the Mackenzie country. They have erected a big station at Edmonton, an aerial there, and one at Fort Simpson and one in Dawson. So that we have got various departments of the Government entering into commercial telegraphy. The one I refer to I think could be very well amalgamated and turn the whole business over to the railway company.

The CHAIRMAN: That sounds reasonable.

Mr. MACKINNON: Is there a Canadian National Telegraph in the Maritime Provinces, as distinguished from the Western Union?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: Express service. A decrease there. Stationery and Printing. Other Expenses, an increase there.

Mr. HENRY: Other Expenses, yes, that is made up of a number of miscellaneous items. The amount paid the American Railway Association, March 23rd to September 24th; another similar item in 1923; that accounted for \$54,000 of that. Then there is a proportion of the expenses in connection with the Canadian National Magazine, \$10,000. Increased Assessment paid to the Bureau of Explosives, \$7,000. Then there was an increase in the cost of auditors, in favour of connections, for switching empty cars at Chicago. That makes up the difference.

The CHAIRMAN: Operating Joint Tracks and Facilities, Debit and Credit.

Mr. HENRY: The same explanation applies to those two accounts as applies to 390 and 391.

The CHAIRMAN: Clearing Wrecks. Quite a reduction there. Have you had fewer accidents?

Sir HENRY THORNTON: Yes, fewer accidents.

The CHAIRMAN: Damage to Property; less there. Damage to Stock on Right of Way. What does that mean?

Sir HENRY THORNTON: Cattle.

Mr. STEWART (Humboldt): There are not so many cattle in the country as there were a few years ago.

Mr. MILNE: Is there any prospect of more efficient cattle guards?

Sir HENRY THORNTON: I do not know. That is a hard question. We are constantly investigating new kinds of cattle guards, but it is pretty hard to find a cattle guard that will keep an intelligent Western cow off the right of way, if it wants to get there. And it is extraordinary how their value increases the moment they get on the right of way.

The CHAIRMAN: Loss and Damage—Freight.

Mr. HENRY: Part of that is due to increase in traffic and part of it is due to greater care being exercised.

Sir HENRY THORNTON: On item 418, I may say that it may be of interest to you to know that the percentage of gross earnings absorbed by this item of expense is about the lowest of any railway on the North American continent. Our loss and damage to freight is an extremely good performance. What were our gross earnings last year?

Mr. HENRY: The freight earnings were \$171,000,000.

Sir HENRY THORNTON: And we paid out only about a little over a million dollars for loss and damage throughout the system. That is a very favourable showing, due to better care and getting the shippers to pack better and general scrutiny.

The CHAIRMAN: In baggage the proportion is still greater, a very large reduction there. Not a large item.

Mr. HENRY: There is an accounting adjustment in that.

The CHAIRMAN: Injury to Persons, that is an increase. How do you account for an increase in that and yet there were fewer wrecks?

Mr. HENRY: \$211,000. \$59,000 of that is due to the fact that in 1923 on the Canadian Government Lines, these payments were made direct from Ottawa. There is an increase in the payments under the Ontario Workmen's Compensation Act, for employees permanently disabled, and to the dependents of employees injured, \$66,000. Then there is an increase in the number and amount of claims for injuries, settled in 1924, including some fairly large ones, \$75,000.

Mr. STEWART (Humboldt): May I ask how this item compares with other railways? You have just made a comparison, Sir Henry, so perhaps it is fair to ask you that question.

Sir HENRY THORNTON: I do not know whether I can tell you that offhand. It is an interesting question. I would like to give you that some other time. I do not happen to have the figures in my mind.

The CHAIRMAN: A total reduction of \$10,000,000. That is very substantial.

It is one o'clock. When shall we sit again? To-morrow there is a Government caucus and Monday is not considered a good day. Probably on Tuesday. Will you leave it to the call of the Chair?

Mr. STEWART (Humboldt): Leave it to the Chair.

The CHAIRMAN: Then it is moved that we adjourn; to meet at the call of the Chair.

(Carried).

The Committee adjourned.

COMMITTEE ROOM 429,
HOUSE OF COMMONS,
TUESDAY, May 12, 1925.

The Select Standing Committee on National Railways and Shipping met at 11.00 o'clock a.m., the Chairman, Mr. W. D. Euler, presiding.

The CHAIRMAN: Are there any items we covered the other day, Sir Henry (Drayton), upon which you would like information?

Sir HENRY DRAYTON: To tell the truth, Mr. Chairman I have not read them. How many pages have we covered?

Mr. CHAIRMAN: We are going on to page 22 now.

Sir HENRY DRAYTON: You have been going straight ahead?

The CHAIRMAN: Yes; we covered pages 20 and 21 on the last day. Would it suit if we went on as we did the other day? Then, let us take up miscellaneous operations at the top of page 22, "Dining and Buffet Service." There is an increase there.

Mr. HENRY: There is an increase of \$150,000 there. This is due to the fact that in 1924 there were some increased services put on, Toronto to Winnipeg, Long Lac to Fort William, Winnipeg to Port Arthur, Winnipeg to Duluth, and some on the Grand Trunk—the Old Grand Trunk Railway.

Mr. STEWART (Humboldt): Are there increases in the dining-car service where there were no increases in the train service?

Mr. HENRY: Yes.

Mr. STEWART (Humboldt): How about the movement to reduce from the dining-car to the buffet-car service? How is that movement working out?

Sir HENRY THORNTON: What is that, Mr. Stewart?

Mr. STEWART (Humboldt): I notice in some cases you have reduced from a dining-car to a buffet-car. How is that working out from a service standpoint and from a financial standpoint?

Sir HENRY THORNTON: I am speaking a little bit without detailed knowledge, but, of course, we dropped from the dining-car to the buffet-car service more in the interest of economy than from any other purpose. It is a cheaper service and less is involved. Now, ordinarily, that suits the public sufficiently well, unless there is a demand for meals which exceeds the capacity of the buffet service. In answer to your question, I should say it is working out with certainly more degree of economy to the company and no material inconvenience to the public.

Mr. STEWART (Humboldt): In that connection, I noticed—I think it was last fall—that on the line from Winnipeg to Edmonton the dining-car had been dropped and a buffet service put on. I, myself, would comment favourably on that, and I have heard a number of favourable comments that the service in the buffet-car was quite satisfactory, and apparently should be a saving.

Sir HENRY THORNTON: You can give just as good service, practically, as far as it goes, in a buffet-car as you can in a dining-car. Where the buffet breaks down is where your patronage is too much for the buffet; then your next step is the dining-car. I think the substitution of buffet service wherever it was justified has worked out satisfactorily all the way around.

Mr. JELLIFF: You do not keep the figures separately?

Sir HENRY THORNTON: No.

Mr. MILNE: Has the cafeteria service on the tourist cars been a success?

Sir HENRY THORNTON: Yes; as far as our reports go, it has been quite satisfactory.

Mr. MILNE: Do you think it has paid its way, or can you tell?

Sir HENRY THORNTON: It is pretty hard to tell, but there is very little, if any, loss in it, because it is a service that is furnished at a small cost.

Mr. STEWART (Humboldt): I think it would be interesting if we could have the details of where the increased service has been placed.

Sir HENRY THORNTON: (To Mr. Henry) Have you the details of that?

Mr. HENRY: Yes, Sir Henry (Thornton). Toronto to Winnipeg, Long Lac to Fort William, Winnipeg to Port Arthur, Winnipeg to Duluth, Port Huron to Chicago, Ottawa to St. Albans, Richmond to Quebec, Toronto to Own Sound, Detroit to Grand Haven, Toronto to London, and Montreal to Island Pond.

Mr. STEWART (Humboldt): That would not be all dining cars; some of it would be buffet service?

Mr. HENRY: Some of it would be buffet service; I have not got it distributed as between the two.

Mr. STEWART (Humboldt): Have you the details of where the change was made from dining-car to buffet service?

Mr. HENRY: I have not those figures here.

Sir HENRY THORNTON: Would you like to have those? We can get those easily enough; it is quite simple.

Mr. STEWART (Humboldt): The whole point I would emphasize is that when a reasonable service can be given in a buffet, I think the company is justified in making a reduction, owing to the fact that the dining-car service is an expensive service to carry on.

Sir HENRY THORNTON: That is quite true.

The CHAIRMAN: Anything further on that item? Pass on to hotels and restaurants.

Mr. HENRY: There is a slight decrease there of one thousand dollars. That should be restaurants really.

The CHAIRMAN: That does not refer to large hotels?

Mr. HENRY: No. That is station restaurants.

Mr. STEWART (Humboldt): Did I understand someone at some time early in the committee to state that the restaurants were going to be turned over on contract?

Sir HENRY THORNTON: Yes, that is right; to the Canada News Company.

Mr. STEWART (Humboldt): Do the restaurants pay?

Sir HENRY THORNTON: Yes, they pay fairly well, but it is a nuisance; it is somewhat of a nuisance to run. The News Company made us a very satisfactory proposal and the Directors, after considering it, concluded we would make about as much money out of the News Company as we would if we would run it ourselves, with much less trouble and annoyance.

The CHAIRMAN: How long a contract would you make?

Sir HENRY THORNTON: I think it is a yearly contract, I forget now.

The CHAIRMAN: Have you any control of it?

Sir HENRY THORNTON: Yes. There is a disciplinary clause and a supervisory clause which gives the officers of the Railway Company practically com-

[Sir Henry Worth Thornton, K.B.E.]

plete control of the employees of the News Company while on the Company's property and that aspect of it is pretty well protected.

The CHAIRMAN: If the service did not suit you could intervene.

Sir HENRY THORNTON: Yes, at once.

Mr. STEWART (Humboldt): Are there sufficient restaurants along the Trans-continental Line to provide service for the tourists and the harvester excursions.

Sir HENRY THORNTON: I should think so.

Mr. STEWART (Humboldt): I remember having a complaint on my hands about a train last year, between—I would not like to say positively, because my memory is a little vague—between Toronto and some point in the west, Winnipeg, that only twice meals were available to the passengers, and they were harvester excursionists.

Sir HENRY THORNTON: That must have been a very extraordinary case. I would like to have an opportunity of checking it up because there are restaurants at sufficient intervals, and many of them I have been in, and they are clean and neat and of a good substantial character. There are quite a number of restaurants of that kind where any traveller or harvester who is travelling can avail himself of what food he needs. That is one of the rules of the Company, to see that people who have not an opportunity to get their meals in the dining-car can get them in the restaurants, but I should like to look into that before I am satisfied about it.

Mr. STEWART (Humboldt): It was a traveller who was on the train who gave me the facts.

Sir HENRY THORNTON: Something may happen that we would not want to happen. With the mileage we have and the number of trains we have, you cannot always get 100 per cent out of it, but broadly speaking I do not believe our passengers ever suffer from want of food or possibly other refreshments.

Sir HENRY DRAYTON: I think generally speaking that the company cannot expect to make money out of the restaurant service. They have a considerable overhead and if they make anything on the meals they are doing pretty well without looking after the overhead. Is that not a fact?

Sir HENRY THORNTON: That is a fact Sir Henry (Drayton) and that is the condition that obtains on most railroads. The only stations I know of where anybody has made any money out of food probably is on some of the English railroads. Take a station like Liverpool Street station in Liverpool, where you have two hundred thousand people passing through every day and if you sell a sandwich and a cup of coffee to even a small proportion you are making money.

Sir HENRY DRAYTON: Some of the companies sell lunch baskets.

Sir HENRY THORNTON: Yes, but that does not involve very much expense. They can charge a fair price and there is no overhead at all.

The CHAIRMAN: Do you propose to sell 4.4 in Ontario on the trains?

Sir HENRY THORNTON: I am willing to sell anything I can make money out of that is within the law.

The CHAIRMAN: Are you going to?

Sir HENRY THORNTON: I am considering that aspect. We might try it in the Maritimes.

Mr. KYTE: I think there is something better than that down there now.

Sir HENRY DRAYTON: How do your figures compare?

Sir HENRY THORNTON: How do you mean?

Sir HENRY DRAYTON: What is the rent?

[Sir Henry Worth Thornton, K.B.E.]

Sir HENRY THORNTON: I do not remember the figures but I would like to give you a report on that later. Make a note, Mr. Henry, to give Sir Henry the information on that contract.

The CHAIRMAN: The next. Grain elevators.

Mr. HENRY: \$80,948. That is the decrease in the grain handled through Portland and St. John.

Sir HENRY DRAYTON: That is because of the smaller crop.

The CHAIRMAN: The next item, 446 "Other Miscellaneous Operations."

Mr. MILNE: Is the elevator in Halifax not in operating condition? Is it out of commission?

Sir HENRY THORNTON: In the first place it is a very old elevator. I believe it is badly located and the latest reports showed that there was practically nothing doing in it at all. That is the old elevator?

Mr. MILNE: Yes.

Sir HENRY DRAYTON: I forget the details of that.

Sir HENRY THORNTON: It will work under pressure.

Sir HENRY DRAYTON: I think we worked it at one hundred thousand bushels.

Mr. HENRY: I do not recall.

Mr. MILNE: How is the new one located, with reference to your lines?

Mr. HENRY: Quite satisfactorily.

Sir HENRY DRAYTON: You would know, Mr. Brown what you did manage to put through that during the year?

Mr. BROWN: How many bushels in a season?

Sir HENRY DRAYTON: No. What was the capacity?

Mr. HENRY: It is 500,000.

Mr. BROWN: They handle about five or six thousand bushels an hour.

Sir HENRY DRAYTON: My recollection is that they did something like 100,000 bushels a day. That is all you can get out of it. That is my recollection, about 100,000 bushels a day.

Sir HENRY THORNTON: It is inconvenient in location. There is only one berth served and the elevator was rather badly damaged in the explosion and wrecked pretty well.

Sir HENRY DRAYTON: You can use it still?

Mr. HENRY: It has a shipping capacity of 5,000 bushels per hour, a receiving capacity of the same amount and a storage capacity of 500,000 bushels.

Sir HENRY DRAYTON: That would be about 120,000 bushels for the twenty-four hours. That is speaking from recollection.

Mr. MILNE: Is it the condition of the elevator that prevents wheat from going to Halifax.

Sir HENRY THORNTON: No.

The CHAIRMAN: Would you handle more if there were a larger elevator there?

Sir HENRY THORNTON: It is not a question of a larger elevator.

The CHAIRMAN: A better equipped elevator?

Sir HENRY THORNTON: I think that is open to some argument. As a matter of fact the reason we probably do not handle more wheat through Halifax is due to two things, first, that it does not go there and when it does get there there is an inconvenient way of handling it.

[Sir Henry Worth Thornton, K.B.E.]

Mr. STEWART (Humboldt): I noticed from a question in the House yesterday that there was a difference in rates to Halifax as compared to the rates to Portland. Are the rates not the same?

Sir HENRY THORNTON: They are the same.

Mr. STEWART (Humboldt): What is the comparison in distance?

Sir HENRY THORNTON: About 800 miles. Wheat is sent to the port where they can get the best ocean rates. A cent or a fraction of a cent a bushel will determine whether we will send it to one place or another.

Sir HENRY DRAYTON: Wheat is always shipped having regard to the markets?

Sir HENRY THORNTON: In other words, I think, Sir Henry will agree with me that what enters into it are commercial conditions, over which nobody has any control.

Sir HENRY DRAYTON: The system has no control over the wheat.

Sir HENRY THORNTON: No.

The CHAIRMAN: Without considering the ocean rates, can you handle freight at a profit on rates to Halifax that are as low as rates to Portland?

Sir HENRY THORNTON: Obviously the business that goes to Portland is the more lucrative business because you haul it several hundred miles less.

The CHAIRMAN: Would you say you are losing money by hauling it to Halifax at these rates?

Sir HENRY THORNTON: I should say we lose money on every bushel of wheat we move east. I am merely stating the facts. I am not going into an argument.

The CHAIRMAN: I had reference particularly to the rates from Montreal out. I would say you cannot make money by carrying freight seven or eight hundred miles as compared with carrying it 300 miles.

Sir HENRY THORNTON: Obviously.

Sir HENRY DRAYTON: The farther you go the more you lose?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: "Other Miscellaneous Operations."

Mr. MACKINNON: There is one point there; from Portland to the market in the Old Country, is not the distance farther than from Halifax to England?

Sir HENRY THORNTON: Yes, it is but I do not know whether it is distance that makes very much difference in the cost.

Mr. MACKINNON: Is ocean freight just as expensive as land freight?

Sir HENRY THORNTON: Oh, no.

Mr. MACKINNON: Not so much.

Sir HENRY THORNTON: Much less. You can always handle anything on water cheaper than you can on land, for the simple reason that you have not any roadway to keep up. God keeps up your roadway on the ocean for you. There is no expense.

Mr. MACKINNON: Can you give me an idea of the number of miles the most distant ports are from Liverpool?

Sir HENRY THORNTON: Mr. Mackinnon is asking what the distance is by water?

Mr. KYTE: As a matter of fact is not a higher ocean rate charged from Liverpool than from Halifax to Liverpool?

Sir HENRY THORNTON: I would want to check that up before making a definite statement.

Sir HENRY DRAYTON: My recollection is that they are all the same. The North Atlantic route takes the same rate. One time New York had the benefit but it is now all the same.

Mr. MACKINNON: Would not delivery be quicker by carrying wheat over land as much as possible?

Sir HENRY THORNTON: It is not a factor. Take for instance silk shipments that come from Japan, through the North American Continent for Europe, these shipments have to be run on passenger schedule and speed largely governs as to who gets the business. For grain, coal, ore, and things of that kind, a few days or sometimes a few weeks do not make any difference.

Mr. KYTE: Do you happen to know if there is a cheaper rate from New York, Boston and Portland than from the Canadian ports to Liverpool?

Mr. HENRY: That I do not know.

Sir HENRY THORNTON: They are all the Conference rates.

Sir HENRY DRAYTON: Wheat is open; flour is open; deals are open; and one other, which I forget.

Mr. KYTE: That means there may be a cheaper rate from the American ports as regards wheat than from the Canadian ports.

Sir HENRY DRAYTON: Yes. Sometimes it runs lower and sometimes the other way. It depends a good deal on the movement and the necessity of the liners and the tramp competition.

Mr. STEWART (Humboldt): Why are the stockyards stopped entirely this year.

Sir HENRY THORNTON: I do not know.

Mr. COOPER: The expense in 1923 was at Portland and we did not ship cattle through Portland this year to the same extent.

Mr. STEWART (Humboldt): There is nothing at all there.

Sir HENRY THORNTON: Mr. Stewart wanted to know why they did not ship.

Mr. STEWART (Humboldt): Would there be any expense of that kind?

Mr. COOPER: Not where we have stock yards.

Mr. JELLIFF: No repairs in the stock yards.

Mr. COOPER: While pens would not come in here they would come in the maintenance-of-way group. These are the stock yards at Portland. I think it would be in 265 "Miscellaneous Structure."

The CHAIRMAN: "Other Miscellaneous Operations."

Sir HENRY DRAYTON: Can you tell us about how we are getting on with our new warehouse storage at Prince Rupert.

Sir HENRY THORNTON: You mean the one that was built there some time ago.

Sir HENRY DRAYTON: Two years ago was it not?

Sir HENRY THORNTON: It was built before that. I think it has been there some years.

Sir HENRY DRAYTON: How is that working out now?

Sir HENRY THORNTON: There is not very much business through it. We are negotiating now with, I think, some fishing company with a view to using a part of that for storage purposes.

Mr. JELLIFF: I think it will be a good thing if you could arrange to get some revenue from it.

Sir HENRY THORNTON: That is quite true, but unfortunately we have not been able to find any useful purpose to which it can be put. It is a splendid warehouse, in fact we could not have a better arranged warehouse than that

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one, and it is a shame that it is lying there not serving any useful purpose. Mr. Dalrymple of the Traffic Department has been making every effort possible to try and find some business for it, but so far without much success. I think there was some effort put forward to get some fishing company interested in it; there was something that had some promise in it, but so far we have nothing definite. The same way with the dry dock there. It is a magnificently equipped plant, and probably as we go on we will succeed in finding something for it. These two things, our warehouse and dry dock are two of a kind and are as good plants as you can find anywhere. It is a pity we cannot get any business for them, but we are doing our best.

Mr. STORK: I have not been there since February, but I understand some Alaska fishing concern is doing some business there.

Sir HENRY THORNTON: I think that is correct.

Mr. MILNE: What amount of cargo comes into Prince Rupert, Sir Henry?

Sir HENRY THORNTON: I don't suppose there is very much besides some lumber and fish, not much else.

Sir HENRY DRAYTON: The large movement is fish, coming to that fishing plant there. Do they still maintain that packing plant?

Sir HENRY THORNTON: Yes. That is running very well, and I think it is doing very well.

Mr. STORK: It is the biggest thing of its kind in America.

Sir HENRY THORNTON: Yes. I believe they ship halibut to the Eastern States.

Mr. STORK: Yes, to Boston and New York.

Sir HENRY THORNTON: All the way from Prince Rupert to Boston, if you can imagine anything more curious than that. Still they do it.

Mr. STORK: I believe there is a good deal of misapprehension about the traffic along the line of the Grand Trunk Pacific. Last year there were 26,000,000 pounds of halibut came out of the Port of Prince Rupert, not by freight trains but by express cars, and I think if I remember rightly there were something like 1,500 refrigerator cars employed, and they came east with a load of anywhere from 800 to 1,000 a car, so that if you take the earnings of the road you will find they compare favourably with any other part of the system. Is that not the case?

Sir HENRY THORNTON: I think not. I am sorry I cannot agree with you. The earnings per mile on that road are pretty slim. We are doing everything we possibly can to increase the earnings, but if you should segregate the earnings on that road on a per mile basis you would find them pretty slim picking.

Sir HENRY DRAYTON: With a high rate for express, there is a still higher rate of expenses.

Sir HENRY THORNTON: It is a territory which has large productive possibilities in it. There is some splendid land, which I have seen myself, along the Grand Trunk Pacific and the day will come when it will probably be productive, but it is going to require a great deal of intensive immigration work and effort before it can be brought into a condition of productiveness. There is a great deal of lumber along that branch.

Mr. STORK: A lot of cedar poles and piling go over that line?

Sir HENRY THORNTON: That is so.

Mr. STORK: About the only available timber in that north country is along that line?

Sir HENRY THORNTON: There are mineral deposits as well.

Mr. MILNE: Do you anticipate that when you get elevators there, there will be cargo going out and that you will draw more cargo from the Orient?

Sir HENRY THORNTON: Yes. That will certainly help to increase the traffic over the line. The westbound grain movement is increasing from year to year. You have only to look at what is happening in Vancouver, to see what is going to happen to westbound grain. I believe some day Prince Rupert will be an important outlet for western grain.

Sir HENRY DRAYTON: In connection with the question concerning grain movement asked by Mr. Milne, what is the percentage of your grain movement for Orient points as against European points? Perhaps Mr. Henry can give us afterwards the percentage of grain for points in the Orient passing through Pacific Coast ports, as against Panama in 1924 as against 1923.

Sir HENRY THORNTON: I think the Panama shipments were greater. They are increasing pretty rapidly.

Sir HENRY DRAYTON: I know they are. I just want to get at the real facts.

The CHAIRMAN: Office and General Expenses; the first item, Salaries and Expenses of General Officers. There is some increase there.

Mr. HENRY: There is an increase there of \$43,381. Taking the general expenses as a whole, the percentage compared to revenue is 3.24 per cent in 1924, as compared with expenses of 3.491.

Sir HENRY DRAYTON: That is, compared with what statistics; what is your comparison?

Mr. HENRY: 3.067 of revenue and 3.332 of operating expenses.

Sir HENRY DRAYTON: I suppose I am doing no injustice to the accounts when I say that in connection with Superintendence, Salaries and Expenses of General Officers, we find those items in 201, 301, 351, 371 and 451. I don't think there are any others; I think those are the right items.

Mr. HENRY: Starting at the beginning, they are in 201, 301, 351, 371 and 451.

Sir HENRY DRAYTON: That is the lot, is it not?

Mr. HENRY: That is correct.

Mr. JELLIFF: How much represents salaries, and how much expenses?

Mr. HENRY: I don't know that I can give you that offhand.

The CHAIRMAN: What was your question, Sir Henry, when you enumerated those items; I did not quite get it?

Sir HENRY DRAYTON: I said that those were the only items that dealt with it.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: Are there any others, Sir Henry?

Sir HENRY THORNTON: No, I think that is the lot.

Sir HENRY DRAYTON: We would not like to miss anything.

Sir HENRY THORNTON: We would try to remind you of it, if you did.

The CHAIRMAN: You have not that division of salaries and expenses?

Mr. HENRY: No. I have not.

Mr. JELLIFF: Has there been any increase in the expenses of General Officers?

Sir HENRY THORNTON: In 1924, I think not; I do not recall any.

Mr. JELLIFF: You have not that separation between expenses and salaries?

Sir HENRY THORNTON: No, I have not got that.

[Sir Henry Worth Thornton, K.B.E.]

Mr. JELLIFF: Can you get it?

Mr. HENRY: Yes, but it will be quite a job.

Mr. STEWART (Humboldt): When that statement is being prepared could we also find out the comparison as between salaries and expenses for last year, to see where the increase has been, whether it is in salaries or expenses?

Sir HENRY THORNTON: We can tell you that.

The CHAIRMAN: No. 452, Salaries and Expenses of Clerks and Attendants. There is some reduction there. Some \$100,000.

Mr. HENRY: \$101,000.

Mr. JELLIFF: How do you explain that, when the clerks and attendants are less and the expenses are more? I should think it would be the other way.

Sir HENRY THORNTON: Not exactly. That requires some little explanation to get the groundwork of the picture. We have in the Canadian National Railway System, something more than one hundred different companies, whose corporate existence has to be maintained for the time being; that involves a very great deal of clerical accounting. When we started to amalgamate the system into what is known as the Canadian National Railways System, we did not know as much about it as we subsequently found out, as we went along. Little by little we found ways of consolidating office staffs, consolidating the accounting, and improving our accounting methods, so that this reduction in the clerical staff can be attributed to that organization which has been going on for something more than the last two years. When you come to the general accounting offices, we have to maintain a certain number of comptrollers, a certain number of auditors, a certain number of supervising officers that we cannot entirely get rid of; in other words there is a much more productive field for the elimination of clerical staff by the consolidation of accounts and the improvement of methods than you might find with the general officers. Furthermore when you are dealing with general officers you are dealing with a comparatively small number of men, as compared with some hundreds, perhaps thousands, of men in the accounting department.

Mr. STEWART (Humboldt): That seems hardly right; there are only about five times as many, taking the figures; you have close to a million in one case and in the other case close to four and a quarter millions; in one case it is one as against about four and a half.

Sir HENRY THORNTON: That is what I say. You are dealing with a larger number of men and a larger figure, when you are dealing with clerks and attendants, a larger field and a larger opportunity. We can give you the details of that when we come to reply to the questions that have already been asked.

Mr. W. F. MACLEAN: I am not a member of this Committee, Mr. Chairman, but I am a member of the House. I had this question up in the House, and I would like to be allowed to ask a question or two, if I may.

The CHAIRMAN: All right, unless there is some objection.

Mr. MACLEAN: I suggested in the House that a Commission of three of the ablest auditors should be employed and shut up in a room, to ascertain what these commitments are and what suggestions they would make for their simplification. I suggested to the Minister of Railways that he was already overworked in his department now, and I want to ask this Committee and Sir Henry Thornton whether it is not possible by the appointment of a high class Commission to investigate this debt in connection with the Railways, so that it could be co-ordinated and consolidated, and the public have some guide as to how these enormous expenses in connection with the Railways could be reduced.

Has that suggestion been discussed in this Committee or is there any way of bringing that up?

The CHAIRMAN: Perhaps Sir Henry would care to say something.

Sir HENRY THORNTON: I might say, in that connection, that up until comparatively recent months, pretty much the whole of the activities and the energies of what may be called the administration, has been absorbed in trying to create a railway out of the fragments which we had at our disposal, and which are scattered from the Atlantic to the Pacific; that is to say, to amalgamate the different constituent parts of the system into one entity, and "to make the wheels go round." Now that work will never be finished, but it is so far forward that it is near the point when we can devote our efforts to equally important problems elsewhere.

One of those important problems, and perhaps the most important one, is the examination of the financial conditions and the financial structure of the various companies and properties which go to make up the National Railway system. It is a large and intricate task. That is under way, and has been under way for some little time, and I should say that within this year we will have at hand sufficient data to be able to make a definite recommendation as to what should be done.

I do not think I can say any more in answer to that question, than to give the information that I have just given. After creating a railway out of our properties, from an operating point of view, the examination of this whole financial situation is our most difficult and most important problem.

Some Hon. MEMBERS: Hear, hear.

Sir HENRY THORNTON: That is under way now, but I cannot say anything as to what recommendations should be made, or what the situation is until we get sufficient data at hand to say something intelligible.

As far as the appointment of a Commission of experts is concerned, I do not particularly care whether such a commission is appointed or not, excepting that my own opinion is that there is the danger of getting too many experts mixed up with any proposition. Any man who thinks that his health is bad, and calls in a couple of doctors to tell him what is the matter with him, is just about ready to contract with the undertaker. The more experts—beyond a certain point—that you get messing up with anything, the more complications and difficulties you will have and the more the issue becomes befogged. I think we will have, and I may say I am sure that before this year is out we will have a pretty definite recommendation available.

Mr. MACLEAN: That is the very thing I was asking for in the House and could not get it there, but I am glad to get it here.

Mr. KYTE: Is not this the right place to get it?

Sir HENRY THORNTON: I would like to make it clear that while this work has not been neglected, at the same time it is quite impossible to do everything at once. Our first job was to make a railway out of what is known as the Canadian National; I mean a railway in the sense of getting it to hit on all six cylinders; and a railway in the sense of getting it to work in harmony, the different parts one with the other. That has been a sufficient task to keep us all pretty busy up until rather recently. But what has just been touched upon is a very important point.

The CHAIRMAN: Shall we go on? The next item is General Office Supplies and Expenses.

Mr. HENRY: There is a reduction there of \$231,000. The expenses in 1923 included rather heavy expenses on account of the reorganization, or rather the consolidation. They were not incurred in 1924.

The CHAIRMAN: Law Expenses. A large reduction there.

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Mr. HENRY: There is a reduction there, due to the fact that in 1923 there were heavy legal expenses in connection with our adjustment with United States railroad administration.

Mr. JELLIFF: Did that include the salaries of the men in the Law Department?

Mr. HENRY: That only included those incident to the outside service, in connection with that.

Mr. JELLIFF: Did you have to employ much outside service in legal work?

Sir HENRY THORNTON: From time to time when some very serious or important question comes up, we have to seek the assistance of outside contracts. That is more or less the practice on most railways. This case to which Mr. Henry refers, was an important case. It had to deal with a very large sum of money, large financial arrangements with the United States Government, and suffice it to say, those negotiations were settled with considerable satisfaction to the company's officers.

Mr. KYTE: I suppose you had to retain American Counsel?

Sir HENRY THORNTON: Yes.

Mr. STEWART (Humboldt): That item 454 does not include the expenses of the Legal Department?

Sir HENRY THORNTON: Yes.

Mr. HENRY: Yes, it includes the expenses of the Legal Department. The increase is due to what I have said.

The CHAIRMAN: Where would their salaries be?

Mr. HENRY: In 454.

The CHAIRMAN: Relief Department Expenses. A small reduction.

Mr. STEWART (Humboldt): What is the meaning of that item?

Mr. COOPER: Those are contributions which the railway makes to the Grand Trunk Insurance and Provident Society, \$12,500. And the railway also contributes \$15,000 to the Canadian Government Insurance Society.

The CHAIRMAN: Pensions.

Mr. JELLIFF: There is quite an increase in this item.

Sir HENRY DRAYTON: What is the present basis of pensions?

Sir HENRY THORNTON: In a measure, the pension situation is still in a state of flux. There was one system on the Intercolonial, another on the Grand Trunk, and I do not think there was any at all on the Canadian Northern, was there, Mr. Henry?

Mr. HENRY: No.

Sir HENRY THORNTON: What we have been working on is to try to evolve a general pension scheme which would apply to the system as a whole, having due regard for the commitments that may have been made on certain parts of the property where pensions had been in existence before we took them over. The first thing we got into was the discovery that to create the kind of pension system that we wanted, or that we would like to have, involved a very large annual expense; apparently an expense that we would hesitate to contemplate. Then we concluded that before we went any further with it, we must have an actuarial examination of the position. And actuaries are engaged in examining that now. So we have not determined yet what pension system can be recommended, but that is something which will be determined this year, and presented next year for appropriate legislation. It is a very serious question and one which involves a great deal of money, and it has to be approached with a good deal of care and considerable examination.

Sir HENRY DRAYTON: Meantime, how are we running along? We are paying this large sum of money for pensions.

Sir HENRY THORNTON: All the existing pension schemes remain as they are. We are going ahead with them.

Sir HENRY DRAYTON: Just how will that work out?

Sir HENRY THORNTON: I will come to that in a moment, Sir Henry and answer your question. With respect to that part of the railway where there is no pension system, we are taking care of such employees as drop out of the service, on a basis, which as far as we can see, will not complicate the situation when we bring in our whole pension scheme.

Mr. JELLIFF: Do the employees contribute?

Sir HENRY THORNTON: There are two general pension methods; one is contributory and the other is non-contributory. I rather think the drift of pensions scheme in the railway world is now towards the contributory system, in which the railway company contribute something and the employee something. That results in a better pension for the employee, with no greater burden to the company.

Mr. JELLIFF: Can you state how many pensioners you have on the list now?

Sir HENRY THORNTON: Have you got that Mr. Henry?

Mr. HENRY: Under the old Grand Trunk scheme there were 1,188. On the Intercolonial and Prince Edward, there were 1,024.

The CHAIRMAN: At what age, or on what period of service, does a man become entitled to a pension?

Sir HENRY THORNTON: It varies, does it not?

Mr. HENRY: The age is 65; I believe that is on the Grand Trunk; and 60 in the other. That is generally, but there are other conditions, such as physical disability, which have to be taken into consideration in each case.

Mr. JELLIFF: What provision is made in case a man is injured? If he loses an arm or a leg?

Sir HENRY THORNTON: That is covered by their own insurance organizations, and also by the pension laws of the Province. If a man loses a leg or an arm, that is adjusted by the Legal Department, by the payment of a suitable sum, depending on the circumstances.

Sir HENRY DRAYTON: There is a difference there of course if you do it provincially. In Ontario he would be entitled to sixty per cent—if I remember rightly—of his earning power, just as the result of the accident. In the other Provinces, he would have the right to bring an action against the company and he would only succeed in that action if he proved negligence on the part of the company and absence of negligence on his own part. The thing is absolutely on a different basis, I think you will agree.

Sir HENRY THORNTON: Oh yes, that is quite true. I said, having regard to all the circumstances.

Sir HENRY DRAYTON: And that is what would apply in Quebec, you have your action there, because the Workmen's Compensation there is very small. It would depend then, where a man was hurt, on which Province he was hurt in and which Province he was engaged in.

Sir HENRY THORNTON: Quite so and we would have to take into consideration certain extraneous circumstances.

Sir HENRY DRAYTON: I think the fairest thing there would be to adopt some general system and apply it over all; take the Ontario system, and apply it.

Sir HENRY THORNTON: That is exactly what we are trying to work to, Sir Henry. The whole thing is in a somewhat unsatisfactory and chaotic state at

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present, and I cannot tell quite what to do until we get the report of the actuary. In general, three or four things ought to be accomplished through any pension system. In the first place you ought to provide the individual with a suitable pension when he reaches the age of retirement. Secondly, there ought to be a protection to the individual and his family in the event of accident, sickness or death after he reaches the age of retirement, and thirdly, it would be desirable if it could be worked out, to also provide an insurance fund which would be payable to the family of the individual after death after retirement. Now, that pretty well covers the whole field. Probably all of that cannot be done immediately, because it would involve too much money, but that represents the object which we ought to try to achieve in the working out of any pension system, if we are to fully and adequately protect our employees and their families, because I think we should take the position that we are in a moral sense responsible for the moral welfare of the family of a man who, we will say, has given 50 years of service to the company. That really means his whole life, and he retires at the age of 70, we will say, and then subsequently dies. In other words, because he has given us his whole life I still feel that we owe something more to him than merely providing for a pension for the remaining years of his life, after he retires from the service.

Mr. JELLIFF: Is that done on some of the American roads?

Sir HENRY THORNTON: I do not think any railway, so far as I know, has quite carried the thing that far.

Mr. JELLIFF: The Burlington used to have it, had they not?

Mr. MACKINNON: What distinction is there, Sir Henry (Thornton), between the 50 years spent as an employee of a railway company and the 50 years spent by another Canadian citizen on any other work or employment—a farmer, mechanic, carpenter, lawyer, doctor, or any other branch of service. What distinction is there? Why should they be entitled to a pension?

Sir HENRY THORNTON: For this reason; the farmer, the lawyer and the doctor is working for himself. He is the captain of his own ship; he has his own opportunities for making money; he has opportunities for making money which are usually denied the average run of railway employees. He works when he wants to work and if he does not like to work he does not have to but on the other hand the railway employee give 50 years, we will say, of complete service, which sometimes involves 24 hours a day of work to his employer, and I think therein is the distinction.

Mr. MACKINNON: I hardly see it. When the country pays a man who has put in 50 years at any other work, he is surely quite as much entitled to a pension as a man who is working for a company owned by the country.

Sir HENRY THORNTON: You find expression of that thought in old age pensions, which are not unknown in the civilized world. But it is worth while to spend a certain amount of money to bring to the service of a large organization like a railway a group of men who have no other object than to honestly and loyally serve that company, and dedicate the whole of their lives to its service. That is what we call esprit de corps. That makes up the "punch" in the organization. Now, you cannot assess a value to that in dollars and cents, but it is a very large factor, and that has been generally recognized by all railroads in all civilized countries.

Mr. MACKINNON: But we want the same spirit in every Canadian citizen, we want every citizen to have esprit de corps for his country. There is no distinction in that.

Sir HENRY THORNTON: Except that one is more difficult of attainment than the other. If this patriotic spirit to which you refer could in some way become general—and perhaps it is so to a considerable extent now—but if it could become general I should regard it as a national asset.

[Sir Henry Worth Thornton, K.B.E.]

The CHAIRMAN: "Stationery and Printing."

Sir HENRY DRAYTON: Just a moment; I just wanted to see what we are really doing. Sir Henry (Thornton), there was a pretty general pension fund in the old Grand Trunk?

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: Particularly having regard to the officials. I think the officials largely contributed to that fund; they were the chief people interested in it, were they not?

Sir HENRY THORNTON: I do not know that I can answer that.

Sir HENRY DRAYTON: We only have a relatively small amount covered by it.

Mr. COOPER: The fund you are speaking of, Sir Henry (Drayton) was the Grand Trunk Superannuation Fund, which was contributed to by the officials to the extent of so much, and the railway gave a corresponding amount, but the pensions to these people, these officers, are not in the account; they are paid out of these special funds.

Sir HENRY DRAYTON: What becomes of that fund? Where is that? Is it not brought into the account?

Mr. COOPER: No sir, it does not belong to the railway.

Sir HENRY THORNTON: I think that was an outside arrangement, a combination made to pay a certain amount and thereby secure certain pensions. That was, as I understand it, purely an arrangement among themselves.

Mr. COOPER: Except that the railway contributed an equal amount.

Sir HENRY DRAYTON: Under what item does our contribution appear here?

Mr. COOPER: It would come under that item, 457.

Sir HENRY DRAYTON: That is the one we are discussing, so it is included in this. How many officers are under the fund?

Mr. COOPER: I could not say that.

Sir HENRY THORNTON: We will have to get that for you.

Sir HENRY DRAYTON: Very well, and I would like to know if it is progressive or not. You know what I mean, whether you stopped the ratio of additions at the time you took over the system, or whether they are still going on. That is the fund that was enquired into by this government through a commissioner, who made certain recommendations which have not been carried out.

The CHAIRMAN: Any further discussion on that item?

Mr. STEWART (Humboldt): I take it that we may anticipate a considerable increase of this item, if not all in one year, from year to year?

Sir HENRY THORNTON: Quite so. That is going to increase year by year up to a certain point, and then it will begin to decrease and will finally reach the level at which it will remain practically stationary, but we can anticipate a very considerable addition to our pension charges.

Mr. STEWART (Humboldt): And that level you speak of will be probably considerably higher than this item now?

Sir HENRY THORNTON: Yes, I should think it very likely.

Sir HENRY DRAYTON: Are you asking an increase over this amount for the next year, in these appropriations?

Mr. COOPER: The Budget is based on the actual figures.

Sir HENRY THORNTON: I should have to look that up to tell you. I do not know offhand.

The CHAIRMAN: "Stationery and Printing."

[Sir Henry Worth Thornton, K.B.E.]

Mr. HENRY: There is a decrease there of \$93,000. The 1923 accounts include a considerable expense for revision of forms, and that was not necessary in 1924.

Mr. HARRIS: I would like to ask a question on this. This would be largely for supplies, would it?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: Does the railway do its own printing?

Sir HENRY THORNTON: No, excepting insofar as certain mimeographed forms are concerned.

Mr. HARRIS: I suppose these supplies would be purchased by the same organization which would purchase your supplies of advertising?

Sir HENRY THORNTON: No, by the Purchasing Department, and I think I am safe in saying that all these contracts are let on a competitive basis. I think most of them are, practically all.

Mr. HARRIS: Based on competitive bids from Great Britain, United States and Canada, or just Canada?

Sir HENRY THORNTON: No, entirely in Canada, excepting insofar as the forms are used in the United States; those are printed in the United States, but I think I am safe in saying that all of the printing and all of the forms included in Canada are done by Canadian firms. Am I right in that?

Mr. FORD: By tender.

Sir HENRY THORNTON: Yes.

Mr. HARRIS: All by Canadian firms?

Sir HENRY THORNTON: Yes.

Mr. HARRIS: I suppose that would apply also to such things as advertising. The reason I am bringing this up, Mr. Chairman, is because we had it in committee the other day and I was not here. With the permission of the committee I would like to ask a question which I purposed asking at that time, in connection with this item 458. I understand tenders for all this advertising and stationery and printing are received from Canadian firms. That is, Canadian firms are asked to tender?

Sir HENRY THORNTON: As far as I know, yes.

Mr. HARRIS: Have you any statement to amplify that a little, just to show more or less exactly how much is done by Canadian firms, and how much is not?

Sir HENRY THORNTON: I think all of it.

Mr. FORD: I think all of it.

Mr. JELLIFF: That item was referred to a sub-committee, Mr. Chairman, was it not?

The CHAIRMAN: Mr. Harris, Sir Henry Thornton says that all forms except those used in the United States are done in Canada, and I suppose the others are done by United States firms. Would that not answer your question?

Mr. HARRIS: Not exactly; I would like some more information. I would like to know how much. For instance, from day to day, here and there throughout the country, we run across advertising matter and printed matter of the Canadian National Railway Lines made in the United States, with the words "Made in U.S.A." printed at the bottom of the circulars and so on. I would like to know what portion of the advertising matter and printing and stationery is printed in the United States.

Sir HENRY THORNTON: I am surprised to hear you say you have run across any of our advertising matter distributed in Canada which is printed in the

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United States. I want to see it. I do not question your word, but I would like very much to see it.

Mr. HARRIS: I have some here.

The CHAIRMAN: Let us see it.

Mr. HARRIS: I will have it here at the next committee meeting. I changed my clothes and left the papers in my other suit.

Sir HENRY THORNTON: I congratulate you on your opulence.

Mr. HARRIS: This had "Printed in U.S.A." on it, and I imagine that means printed in the United States of America. I wanted to know how much of that was done.

Sir HENRY THORNTON: Of course you can ask me detailed questions which I sometimes cannot answer, but it is my understanding, which is borne out by corroboratory evidence here, that all of our printing is done in Canada.

Mr. HARRIS: It is not the detail of any one thing I wanted, but just generally how much is Canadian and how much is American.

Sir HENRY THORNTON: We will get that information for you.

Mr. STEWART (Humboldt): Is the publication of the Canadian National Railway Magazine included in this item 458?

Mr. COOPER: No, it is in item 460.

The CHAIRMAN: "Valuation Expenses." There is a reduction there.

Mr. HENRY: A reduction of \$11,800 there. That is due to the elimination of the Valuation Department in Detroit.

The CHAIRMAN: "Other Expenses;" an increase.

Mr. STEWART (Humboldt): What is the cost of the Canadian National Railway Magazine?

Sir HENRY THORNTON: I could not tell you offhand. We can get that.

Mr. STEWART (Humboldt): What purpose does it serve? What is its value to the company?

Sir HENRY THORNTON: It is a medium of communication. In the first place, we go back a little further, it is a practice of most corporations, railways included, to publish magazines and in some cases newspapers. The Metropolitan Life Insurance Company here, for instance, publishes a magazine for their employees; the Pennsylvania Railroad publishes a newspaper, which, I think, is published either weekly or twice a week, I forget which, but it is the practice, and it has been found beneficial for all organizations which employ a large number of men to publish a magazine. That magazine serves a number of purposes. In the first place, it is a means of communication between the administration and the staff. It furnishes an opportunity to call the attention of the officers and the men to various things that are being well done and perhaps some things which should be better done. It carries with it items of news, of interest to the employees themselves and also items of a general nature which their wives and families would perhaps like to see. In other words, you might sum up its function in that it is for the purpose of promoting a spirit of enthusiasm, of co-operation and esprit-de-corps. That is the theory that I think most large companies have gone upon.

Mr. JELLIFF: Does it carry any outside advertising to help pay the expenses?

Sir HENRY THORNTON: Yes, it carries a considerable amount of outside advertising.

Mr. MILNE: But there are no subscriptions?

Sir HENRY THORNTON: It is issued free to employees, and is more or less used as general advertising matter. For instance, we have a mailing list

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of important people to whom we send this magazine, and we have had a good many very pleasant comments. I had a letter the other day from a railway officer in the United States, the president of a large railway company, complimenting us on the subject matter of the magazine and on the useful purpose it no doubt was serving.

The CHAIRMAN: Does it go to members of Parliament?

Several HON. MEMBERS: I get it.

Sir HENRY THORNTON: I think it does, yes.

The CHAIRMAN: I know I get it, and was wondering if others did.

Mr. STEWART (Humboldt): I was rather surprised to find it was not included in "Advertising expenses." I thought some portion of it, at least, would be charged in there, seeing that nearly everything else that could be charged in there was.

Sir HENRY THORNTON: You might or might not charge a portion of it to advertising. There is always an argument as to what should be charged to advertising or charged to anything else.

The CHAIRMAN: It does not matter very much.

Mr. STEWART (Humboldt): Not in the final results.

Sir HENRY THORNTON: I can have some figures on advertising for the next meeting.

The CHAIRMAN: Now, the next item "General Joint Facilities."

Mr. HENRY: Those are the various items incidental to maintaining joint terminal tracks and so on.

The CHAIRMAN: That completes the railway operating expenses. Now, on the next page, page 23, "Expenditures, Less Retirements, During the Year 1924, Applicable to Investment in Road and Equipment." The first item is "Roads" and the first sub-division is "Engineering." Any questions on that?

Sir HENRY DRAYTON: Let us start with a general statement of the whole list.

The CHAIRMAN: Shall we go through it item by item or have a general discussion?

Sir HENRY DRAYTON: Let us start generally, so we will have an understanding of the items. I do not know whether it is necessary to go through them all, but take the items generally,—items which are attributable to work on the branch lines or in new work.

Mr. HENRY: There is \$1,666,000 in that, which is attributable to Branch Lines.

Sir HENRY DRAYTON: So in deducting that, you know how much more has gone into the present system during the last year?

Mr. HENRY: There would be eighteen-odd million dollars.

The CHAIRMAN: A total of \$20,000,000 less what has gone into branch lines?

Mr. HENRY: You are speaking of "Road," not "Equipment?"

Sir HENRY DRAYTON: Yes. We are on "Road" now, are we not?

The CHAIRMAN: Yes. Shall we proceed item by item?

Mr. JELLIFF: There seems to be no comparative column here for similar expenses last year.

Mr. HENRY: Last year the expenditures on "Road" were \$19,868,425.

Sir HENRY DRAYTON: That would be less the \$1,200,000-odd.

Mr. HENRY: \$2,600,000.

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Sir HENRY DRAYTON: \$1,200,000, I thought it was; \$116,000 for the lines in Nova Scotia, and the balance for the Long Lac cut-off. I am only speaking from memory, but I think I am right.

The CHAIRMAN: You have a good memory for figures.

Sir HENRY DRAYTON: What was the Long Lac cut-off?

Mr. HENRY: A little over \$2,000,000; two and one-half million.

Sir HENRY DRAYTON: Are you sure?

Mr. HENRY: I think so.

Sir HENRY THORNTON: I thought it was nearer \$3,000,000.

Mr. HENRY: The Long Lac cut-off was \$2,372,000.

Sir HENRY DRAYTON: These figures have been added to since—

Mr. HENRY: No; these are the figures in last year's report—and \$161,000 for the Mines Branch.

Sir HENRY DRAYTON: I should have said New Brunswick, instead of Nova Scotia. That makes a total of what?—about \$2,500,000?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: So if you deduct that from the \$19,000,000, that would give you your net additions?

Mr. HENRY: Yes; it would be about \$17,300,000.

Sir HENRY DRAYTON: Less than that; about \$16,700,000.

Mr. HENRY: The difference between \$19,868,000, and \$2,513,000.

Sir HENRY DRAYTON: \$17,347,000?

Mr. HENRY: \$17,355,000, and in this year there is included \$1,278,000, representing the cost of the purchase of the Montreal Terminal Line.

Sir HENRY DRAYTON: Which item is that?

Mr. HENRY: Item 41, so you would really have to deduct that.

Sir HENRY DRAYTON: Yes, that is quite true.

Mr. STEWART (Humboldt): What was the item for the branch lines, last year?

Mr. HENRY: You mean in 1924?

Mr. STEWART (Humboldt): Yes.

Mr. HENRY: \$1,650,000.

Mr. JELLIFF: This \$1,650,000 which was spent on branch lines last year: where did that money come from? That money was raised by bonds?

Mr. HENRY: Yes; it was met temporarily out of other funds and later reimbursed.

The CHAIRMAN: Any other general questions?

Sir HENRY DRAYTON: Perhaps it would be convenient to clean up this point which we have touched "Capital Expenditure". Just what happened to the issues? Mr. Jelliff was asking where the money came from. Now, I went over this with Mr. Henry, and I do not think there is any dispute about it. In February of 1924, we had an issue of \$50,000,000, which is payable in 1924. Have you got your notes on that, Mr. Henry?

Mr. HENRY: That is right.

Sir HENRY DRAYTON: That was applied as capital \$33,831,000?

Mr. HENRY: Down to December 31st.

Sir HENRY DRAYTON: It is for your calendar year?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: All these figures are for the company's calendar year. That is always borne in mind.

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Mr. HENRY: Yes.

Sir HENRY THORNTON: I wonder if this statement would not answer Sir Henry (Drayton)?

Sir HENRY DRAYTON: Well, we worked it out, Mr. Henry and myself and the auditor.

Mr. HENRY: This is sub-divided a little.

Sir HENRY DRAYTON: We had "Capital \$33,831,000." Does that stand?

Sir HENRY THORNTON: Did Sir Henry see this statement? Maybe that is what you want, Sir Henry (Drayton).

Mr. COOPER: (To Sir Henry Drayton) This was divided at your request between road and equipment.

The CHAIRMAN: Would that answer?

Mr. JELLIFF: Is that on the record?

The CHAIRMAN: I do not think so.

Mr. JELLIFF: It would be well to have it on the record.

Mr. HENRY: That \$13,000,000 and \$19,000,000 odd make up the \$33,000,000 to which you referred?

Sir HENRY DRAYTON: You have this on an entirely different basis from what you gave it to me before.

Mr. HENRY: You asked to have it between road and equipment.

Sir HENRY DRAYTON: The first one is \$50,000,000.

Mr. HENRY: Yes. The total is over on the right hand side. That shows the allocation down to April 30th, 1925.

Sir HENRY DRAYTON: Oh, yes. The main difference is the difference under the heading "Capital Expenditures"—"other" and I suppose that comes to that by making the equipment.

Mr. HENRY: The equipment was segregated.

Sir HENRY DRAYTON: Is that what we got. The two figures you had ought to make a total of \$33,831,000?

Mr. HENRY: That is right.

Sir HENRY DRAYTON: Then the retirements are all right. We have had it.

Mr. HENRY: Yes.

Sir HENRY DRAYTON: The discount is given properly, and cash on hand. The important thing there is that we had a little mix-up as to really what the cash on hand was which ought to come off and in considering the net result I point out that it made \$50,000,000 as shown by the company. Cash on hand is \$808,072.92.

Mr. HENRY: That is as of April 30th.

Sir HENRY DRAYTON: You brought this to April 30th?

Mr. HENRY: No, as of December 31st. It is \$1,014,425.81.

Sir HENRY DRAYTON: It would have been better if we had stuck to the year.

Sir HENRY THORNTON: You have it both ways.

Sir HENRY DRAYTON: Both ways on the left. The figures that confirm the Company in their statement is a figure of \$800,000 but the figure is \$1,014,425.81.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: That disposes of that. Then the next one is the issue of \$20,000,000. There we have on capital expenditure \$3,975,029.97 for

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equipment; \$8,393,986.46 for other capital expenditure; capital obligations—are these the retirements?

Mr. HENRY: Those are retirements.

Sir HENRY DRAYTON: That is what I would think: Capital obligations \$2,066,000 and the fixed charges due to the public \$5,178,257.28. This account is shown as cash on hand and indicates as of the 31st of September, \$279,850.68.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: The next issue is the \$26,000,000 due in 1954. Out of that we have equipment \$1,983,000 odd to capital; \$11,799,000 odd, retirements. I do not understand why there should be that red figure under "Capital Obligations," Mr. Henry?

Mr. HENRY: Under "Capital Obligations"?

Sir HENRY DRAYTON: Yes. You say you retired and you had retired apparently \$6,110,000 and then you have a red entry against that of \$3,000,000.

Mr. COOPER: In the Canadian Northern, \$6,000,000 of Notes falling due in December 1924 were temporarily taken care of out of this \$26,000,000 and the financing for that was in the \$17,000,000 in February. When that issue was made \$6,000,000 was repaid to the \$26,000,000 issue.

Sir HENRY DRAYTON: What really was retired is only the \$770,000. The other would be a book-keeping entry?

Sir HENRY THORNTON: That is right.

Sir HENRY DRAYTON: For the fixed charges due to the public we have four and a half million dollars odd. Cash on hand there at the commencement of the year is \$14,259,435.69. Now, the company is entitled to have added all that cash on hand as of the 31st. They have no addition of that?

Mr. HENRY: What was your question.

Sir HENRY DRAYTON: Out of these capital issues you still have on hand cash as of the 31st of September if altogether what total?

Mr. HENRY: Of some of those three items?

Sir HENRY DRAYTON: Making what? So much has been said about the addition to capital that you should get the thing absolutely right. Mr. Stewart said \$15,553,712.18.

Mr. HENRY: You are starting as at December 31st.

Sir HENRY DRAYTON: Yes, it comes into your calendar year. It throws you off your proper basis for comparison.

Mr. JELLIFF: How much was realized in the sale of the \$50,000,000 bonds?

Sir HENRY DRAYTON: The discount on that was \$1,093,500.

Mr. JELLIFF: What is the plan of financing to go on with the construction of the branch lines?

Mr. HENRY: \$15,553,712.18.

Sir HENRY DRAYTON: So as to complete that thing there is another item that I called Mr. Henry's attention to. That is the item refunding \$14,000,000. In going over the accounts I can find no refunding which would account for that at all. The explanation is that the company loaned the Government this \$14,000,000 odd. That loan was arranged in September and interest was arranged at the rate of 4 per cent. In connection with that interest of 4 per cent payments were made by the Government, and I suppose it is largely a matter of book-keeping, but perhaps it is a matter of cash because the company had to have the money, \$210,018.57. You will notice, when you look at the item which occurs at page 27, there is "less refunding" put down there, this item of \$14,000,000; the exact figures are \$14,259,435.69. You will notice that the interest there credited is \$302,597.40. That is by reason of the fact that besides

this interest the company takes credit for the interest and monies which are used in connection with the Canadian Government Railway. You appreciate the difference there. That means that the company, in connection with the operations of the Canadian Government Railways, which would be the Inter-colonial and the Transcontinental, charges against the Government the interest on the monies used out of the company's system.

The CHAIRMAN: Would not that be fair?

Sir HENRY DRAYTON: I am just stating the facts. I am not making any comment.

The CHAIRMAN: I am just bringing it up.

Sir HENRY DRAYTON: The reason that this comes up is that there was an explanation required. The company says "less refunded." There was no refunding at all and the explanation given me by the officer was—I am just putting it down as they say—the explanation was that the Government had the money and the company loaned it to them and the Government paid them interest on it.

Sir HENRY THORNTON: That is it.

Sir HENRY DRAYTON: That is the whole thing, and that of course explains it. It is not a refunding at all. What it really was, in a sense, was a matter of convenience between the two parties interested in this system.

There is another thing, and Mr. Henry will tell me whether I am right or not, in connection with that loan to the Government, that having been deducted from the amount of capital responsibility, although represented by obligations, it would be necessary, in order to adjust the accounts next year, to make an additional charge in the increase in the Funded and Unfunded Debts, to make an additional charge of that \$14,000,000 odd.

Mr. COOPER: That is correct, Sir Henry; that has been drawn down.

Sir HENRY DRAYTON: You could not do anything else.

Mr. STEWART (Humboldt): A better term to cover that item can surely be found. It is misleading to most of us, to use the term refunding when we cannot find the capital expenditures that are refunded.

Sir HENRY DRAYTON: They want the open accounts.

Sir HENRY THORNTON: My recollection of this is—and I want to check it up a little later—that we had this money on hand, and we could make better terms with the Government for its temporary use than if we let it lie in the bank. Isn't that it, Mr. Cooper?

Mr. COOPER: That is it, sir.

Sir HENRY THORNTON: It was for the convenience of the Government and to our own advantage, until such time as the funds might be required for other purposes.

Mr. STEWART (Humboldt): It was good business; it is simply that as the item appears in the report, it is misleading in the wording.

Mr. JELLIFF: It is just a banking transaction.

Sir HENRY DRAYTON: It is plain enough now. This practically offsets the cash on hand, and leaves it practically at \$118,000,000.

The CHAIRMAN: It is correct, anyway.

Sir HENRY DRAYTON: I know it is correct, because I got it from them. This statement showing the disposition of Proceeds of Guaranteed Bond Issues 1924, will be included in the record.

DISPOSITION OF PROCEEDS OF GUARANTEED BOND ISSUES, 1924

	Capital Expenditures		Capital Obligations	Fixed Charges due Public Operating Deficits	Discount	Cash on hand	Total
	Equipment (1)	Other (2)					
5% 30-year Bonds due 1954— Disposition at December 31st, 1924.....	\$ 13,985,641 27	\$ 19,846,043 96	\$*11,944,344 69	\$ 2,116,044 27	\$ 1,093,500 00	\$ 1,014,425 81	\$ 50,000,000 00
Drawn down in 1925.....	2,000,000 00	211,357 38		5,004 49		206,852 89	
Transfer to \$20,000,000 issue.....		604,829 88		1,395,170 12			
Disposition at April 30th, 1925.....	\$11,985,641 27	\$ 20,662,231 22	\$ 11,944,344 69	\$ 3,506,209 90	\$ 1,093,500 00	\$ 808,072 92	\$ 50,000,000 00
4% 3-year Notes due 1927— Disposition at December 31st, 1924.....	1,975,029 97	\$ 8,753,877 44	\$ 2,066,000 00	\$ 6,575,241 91	\$ 350,000 00	\$ 279,850 68	\$ 20,000,000 00
Drawn down in 1925.....	2,000,000 00	244,938 90		1,814 51		243,124 39	
Transfer from \$50,000,000 issue.....		604,829 88		1,395,170 12			
Disposition at April 30th, 1925.....	\$ 3,975,029 97	\$ 8,393,986 46	\$ 2,066,000 00	\$ 5,178,257 28	\$ 350,000 00	\$ 36,736 29	\$ 20,000,000 00
4 1/2% 30-year Bonds due 1954— Disposition at December 31st, 1924.....	936,773 98	\$ 2,056,879 29	\$ 6,110,000 00	\$ 1,076,911 04	\$ 1,560,000 00	\$ 14,259,435 69	\$ 26,000,000 00
Drawn down in 1925.....	1,046,472 94	9,742,600 93	5,939,157 95	3,456,992 06		8,906,907 98	
Disposition at April 30th, 1925.....	\$ 1,983,246 92	\$ 11,799,480 22	\$ 770,842 05	\$ 4,533,903 10	\$ 1,560,000 00	\$ 5,352,527 71	\$ 26,000,000 00

Col. (3) includes discount on Equipment Trust Issue "G" \$474,975.

Col. (3) includes C.V. Capital Obligations \$23,000.

Col. (2) includes advances to Central Vermont Railway other than Capital Obligations.

*Subject to Final Revision at close of Fiscal year March 31st, 1925.

Mr. JELLIFF: Perhaps I can get an answer to my question now, as to the branch lines; how do you propose to go on with the branch lines this year?

Mr. HENRY: You mean the financing?

Mr. JELLIFF: Yes.

Mr. HENRY: The financing has to be done as provided in the various Acts. We have issued so far on account of the branch line work \$11,500,000.

Mr. JELLIFF: Do you expect to do more than you did last year?

Mr. HENRY: Well, there is a regular programme.

Sir HENRY THORNTON: We expect to follow that programme as closely as circumstances will permit.

Mr. HENRY: That I think has been already discussed.

The CHAIRMAN: If the authorization goes through the House, you expect to go on with the work?

Sir HENRY THORNTON: Certainly.

Mr. MACKINNON: Take item 41, Cost of Road Purchased. What was the new road?

Mr. HENRY: That was the Montreal Terminal Railway, extending from Montreal to Bout-de-l'isle.

Mr. MACKINNON: Was that about two years ago?

Mr. HENRY: Yes, about that.

The CHAIRMAN: We are digging into various items now. Is it your intention to go on that way, or item by item? Are you content to ask a few questions, and let it go at that?

Mr. HARRIS: I would like to transgress the rule, just before you get away from it. Sir Henry asked me for a sample of United States advertising. I had one in my room, but I did not bring it with me.

Sir HENRY THORNTON: May I see the specimen?

Mr. HARRIS: Yes, certainly.

The CHAIRMAN: Maybe you got it in the United States?

Mr. HARRIS: No, I did not; I had it given to me by a gentleman interested in railroad matters, and I carried it quite a while before I noticed where it was made.

Sir HENRY THORNTON: I will look at it when it gets here.

The CHAIRMAN: Let us go on with the first item, Engineering. Perhaps Mr. Harris' sample might have been carried across the line recently.

Mr. HARRIS: No, it has not been brought across the line recently.

Sir HENRY THORNTON: I will have to look into it, but I can only repeat my general statement, that we have gone to considerable trouble to have every bit of work we can executed in Canada.

The CHAIRMAN: That is your distinct policy?

Sir HENRY THORNTON: That is our distinct policy. I cannot answer for anything of that kind.

Mr. HARRIS: I did not intend to ask you a question like that, I only asked for a general statement as to the United States and Canada in that respect, if you will give us that.

The CHAIRMAN: That closes it.

Mr. MACKINNON: That is catering to Toronto sentiment.

The CHAIRMAN: Let us proceed. No. 1, "Engineering." We have tried to get at this several times. Are there any questions? If not, we will take No. 2, "Land for Transportation Purposes."

[Sir Henry Worth Thornton, K.B.E.]

Mr. STEWART (Humboldt): Before we go on with this, do we understand that items for investment in branch lines come under this item?

Mr. HENRY: Under the proper classification.

Sir HENRY THORNTON: Sir Henry, I do not see just what particular light is going to be shed on the situation by going over this item by item. They represent the details and subdivision of moneys already voted. There isn't any explanation to give, except that they represent the accounting subdivision. I am quite willing to answer any questions, but I do not think it will profit the Committee very much to go over it item by item. What do you think, Sir Henry, about that?

Sir HENRY DRAYTON: I don't think we can get anywhere, unless there is something special you want to speak about in any one item.

Sir HENRY THORNTON: No, they represent what way the cards fall as applied to capital investment, and that applies to the whole case.

Sir HENRY DRAYTON: The equipment is all bought in Canada?

Mr. DALRYMPLE: For Canadian lines.

Sir HENRY DRAYTON: How much is bought for United States lines?

Mr. VAUGHAN: Just as much as will be for use on the United States lines; it has not been segregated.

Sir HENRY THORNTON: We can tell very shortly how much that is.

Mr. HENRY: I think that was all given. I think Mr. Vaughan has already given that.

Sir HENRY THORNTON: I do not believe you were here, Sir Henry, when that was discussed.

Sir HENRY DRAYTON: If it has been already given, it is all right.

Sir HENRY THORNTON: We can check it up and look over the equipment in the United States.

Sir HENRY DRAYTON: We have had \$44,000,000 odd the last two years. It looks as if it was depreciating very rapidly. What the Interstate Commerce Commission used to have—I do not know what they have now, because it is some time since I was at the business—they used to have for the purpose of calculating, a figure of 3 per cent for amortization. It seems to me from your figures here for actual commitments that 3 per cent is altogether too low.

Mr. HENRY: You mean three per cent for depreciation?

Sir HENRY DRAYTON: Yes.

Mr. HENRY: We do not carry depreciation for equipment, except on the United States Lines.

Sir HENRY DRAYTON: What do you carry on the United States Lines?

Mr. HENRY: Four per cent.

Sir HENRY DRAYTON: I think that is nearer the mark. I always used to think three per cent was too low. What is your own opinion about that, Mr. Henry?

Sir HENRY THORNTON: I should really think three per cent is low. In fact I am not sure but what five per cent would be nearer the figure.

Sir HENRY DRAYTON: Several lines use five per cent.

Sir HENRY THORNTON: I know they do.

Sir HENRY DRAYTON: And I am not sure but what they are right.

Sir HENRY THORNTON: This would follow the practice of the Commission, or their instructions, whatever that might be.

Mr. COOPER: The Commission has not issued an order. It is left to the railway company to decide.

[Sir Henry Worth Thornton, K.B.E.]

Sir HENRY DRAYTON: I do not think there is any use going into that, except that "passenger train cars" is a rather heavy item, when you are not making any money out of passenger work. Cannot we stop buying passenger train cars?

Sir HENRY THORNTON: We practically did. We have reduced our purchases of equipment this year very largely. I think the total equipment purchases were round about four million, between four and five million dollars, speaking from memory. A reduction of something like twenty to twenty-five millions from past years. My own feeling in regard to our equipment is that we have now got about all the equipment we shall require for some time, unless it might be something special, a parlor car or two, or something of that sort; but generally speaking I think we are pretty well equipped, both as to freight and passenger equipment, and we need not make purchases of substantial amounts on those accounts for some time.

Sir HENRY DRAYTON: Then the next lot of items, Mr. Chairman, is "General." It seems to me the only thing we can talk about there is "Interest during Construction." What construction is that?

Mr. COOPER: You asked for that before, Sir Henry, and we gave you an answer. We gave you a statement making the total of that up.

Sir HENRY DRAYTON: Oh yes, that is right. I have got that, and I suppose anything I get the Committee can have. I do not seem to have it on this paper. Here is a statement that I ought to give you. The Committee is entitled to any work that we get done. It is a statement as to Maintenance of Equipment for 1923 and 1924. A statement prepared by the company. That I suppose ought to go in.

The CHAIRMAN: If you think it is necessary you can put it on the record.

Sir HENRY DRAYTON: I will hand it to the reporter. (Statement referred to is as follows:—)

CANADIAN NATIONAL RAILWAYS

MAINTENANCE OF EQUIPMENT

Statement showing total amount of Reserve Fund on Equipment for 1923 and 1924.

Amount as at December 31, 1923 (C.G.R.)	\$ 315,043 26
Amount as at December 31, 1923 (G.T.R.)	1,696,754 44
Total	<u>\$2,011,797 70</u>
Amount as at December 31, 1924 (C.G.R.)	\$ 175,558 14
Amount as to December 31, 1924 (G.T.R.)	920,334 96
Total	<u>\$1,095,893 10</u>
Decrease in Reserve for year 1924	<u>\$ 915,904 60</u>

Sir HENRY DRAYTON: In addition to what is prepared by the company, there is something the company gave me that should be checked now, because I wrote this down myself. Mr. Henry gave it to me from his book:—

"Total Book Value of Equipment

Locomotives	\$ 90,855,625
Freight equipment	195,081,880
Passenger equipment	49,519,173
Work equipment	11,439,745
Total	<u>\$346,896,423"</u>

[Sir Henry Worth Thornton, K.B.E.]

Sir HENRY THORNTON: That is right.

Sir HENRY DRAYTON: Then there it is. I put that in as a statement.

Mr. HARRIS: Mr. Chairman, I understood from one of the officers a few minutes ago that the Budget for the year we are in now is based on the statement of the year that has gone by.

This gentleman to the right of Mr. Henry—(Mr. Cooper)—made that statement a few minutes ago.

Mr. COOPER: The estimate of that expense was to a large extent based on the actual figures for the completed year.

Mr. HARRIS: Would the same apply there to capital expenditure?

Sir HENRY THORNTON: No.

Mr. HENRY: Just the earnings and expense, Mr. Harris.

Mr. HARRIS: As you go along, passing page by page, Sir Henry, could you give us the policy with regard to buying new equipment and how that is going to change from the position of around twenty millions, to around five, for the year we are in now, as I understood, Sir Henry.

Sir HENRY THORNTON: Three million it was. I do not remember the exact figure, but it was a very material reduction from what it was in the years past.

Mr. HARRIS: That is for equipment.

Sir HENRY THORNTON: Yes.

Mr. HARRIS: It drops from 20 million to somewhere around three million.

Sir HENRY THORNTON: That is substantially correct.

Mr. HARRIS: Could you make a statement with regard to the \$20,234,000 which is the total for the road?

Sir HENRY THORNTON: I think perhaps that is answered by a statement in the report: "It is the intention of the directors to avoid or postpone so long as may be advisable, any capital expenditures which are not essentially needed." That is going to apply to the road and equipment, and is already manifesting itself in equipment and will manifest itself more favourably with respect to road.

Mr. HARRIS: You gave us an idea with respect to the degree in the case of equipment. Can you give us the same idea of degree in the case of the road?

Sir HENRY THORNTON: Well, no. Do you mean for the next year?

Mr. HARRIS: The year we are in now.

Sir HENRY THORNTON: I cannot tell you that offhand. Have you the figures there, Mr. Henry? Mr. Harris would like to know, leaving out the question of equipment, just what the position is with respect to Capital Expenditures.

Mr. HENRY: It would be somewhere in the vicinity of 17 million dollars.

Mr. HARRIS: That is it would drop from \$20,000,000 to somewhere in the vicinity of seventeen?

Mr. HENRY: Yes.

Sir HENRY THORNTON: There are always certain capital expenditures that are so involved with maintenance that you cannot get away from them. For example, supposing you renew a 70-pound rail or an 80-pound rail or a 100-pound rail, which you must do, which is sensible, the increased weight of that rail, and increased cost, is a betterment, but it would be folly to renew your rail in 70-pound rail.

Mr. HARRIS: I am trying to get in my mind how much will be added next year.

[Sir Henry Worth Thornton, K.B.E.]

Sir HENRY THORNTON: There is always a certain amount which you cannot get away from, but, generally speaking, it will certainly be the policy to reduce our capital expenditures to the lowest possible minimum.

Mr. HARRIS: There was an increase last year to \$112,000,000 of the assets, in that first item alone. This year it looks as though that increase will be very much smaller.

Sir HENRY THORNTON: That is true.

Mr. HARRIS: I wanted some idea of the figures.

Sir HENRY THORNTON: We will always have the branch lines with us.

Mr. HENRY: If there is a larger programme of branch lines that will increase it.

Mr. HARRIS: That would come under investment. Which one of the classifications?

Mr. HENRY: It comes under the respective accounts. For instance, engineering, draining, tunnels, and so on the whole way down.

Mr. HARRIS: It will be divided up?

Mr. HENRY: Yes, through the respective accounts.

Mr. HARRIS: We won't be able to pick out the details?

Mr. HENRY: They will be kept separate. We can give the details.

Sir HENRY DRAYTON: They are done every year under the Act. There is just that one thing: I do not think I have got the particulars as to the interest charge during construction.

Mr. COOPER: It is printed in the minutes of the Committee, Sir Henry.

The CHAIRMAN: If you will look up your minutes you will find it.

Sir HENRY DRAYTON: If it is printed, all right.

Sir HENRY THORNTON: What is this account of \$680,000?

Mr. COOPER: That is the amount credited to Income.

Sir HENRY THORNTON: Is it all in the minutes?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: It is an item of \$58,000 that I am looking at.

Mr. COOPER: You asked for a statement of interest credited to Income. It was 66, and we charged the 58 to this account, and the balance goes into the account shown on the next page.

Mr. HENRY: You wanted to know how much was taken into Income.

Sir HENRY DRAYTON: Is this already in the minutes?

Mr. COOPER: Yes, sir.

Sir HENRY THORNTON: Are you sure it is in the minutes?

Mr. COOPER: Yes, sir.

The CHAIRMAN: It is in the minutes, he says.

Sir HENRY DRAYTON: Which is the proper item under which to discuss the question of New Capital Commitments? I am thinking, at the moment, of the Quebec construction. What is the item under which we should discuss that?

Sir HENRY THORNTON: That will not appear in our accounts for last year.

Sir HENRY DRAYTON: I see. But we did undertake the responsibility there of operating that line?

Sir HENRY THORNTON: That line will be built as a private enterprise, so it is not in our accounts.

Sir HENRY DRAYTON: We undertake to run it?

Sir HENRY THORNTON: We have not yet undertaken to run it.

Sir HENRY DRAYTON: What is the exact position?

Sir HENRY THORNTON: The exact position is this, that we have interested private capital in the construction of that line. Now, just precisely what arrangement we will make I do not know, because it has not yet been made.

Sir HENRY DRAYTON: That will run from where to where?

Sir HENRY THORNTON: From O'Brien to Rouyn.

Sir HENRY DRAYTON: What mileage?

Sir HENRY THORNTON: About 50 miles.

Sir HENRY DRAYTON: So that the exact arrangement is an open book yet?

Sir HENRY THORNTON: Quite.

Sir HENRY DRAYTON: All you have done is interest private capital in the building of it. Have they started work already?

Sir HENRY THORNTON: I do not think so. No.

The CHAIRMAN: Next page, 24, "Improvements."

Mr. HARRIS: Mr. Chairman, just before we leave this page, I asked some time ago with regard to an opinion which was given by Mr. Ruel of the legal department some time ago regarding the Regina Hotel, and the opinion that was filed was one by Mr. Chisholm dated the day before I asked for the information. I understood there was a written opinion by the senior officer of the legal department, at the time negotiations were first started, that is, before any particular work was done in Regina. That was the opinion I asked for, not the opinion of Mr. Chisholm. I just wondered if I could get the original opinion.

Sir HENRY THORNTON: Of course, the opinion of Mr. Chisholm would be the opinion of the legal department. My recollection of the way that was settled is that Mr. Ruel was to come here and discuss the matter, the legal aspect of it, with the committee.

Mr. HARRIS: Is there any objection to filing the original opinion of Mr. Ruel

Sir HENRY THORNTON: None at all. I think it was a written opinion, it is just barely possible it may have been a verbal opinion given me.

The CHAIRMAN: If you have it, you will present it?

Sir HENRY THORNTON: Yes, certainly, but I think we will have Mr. Ruel here tomorrow.

The CHAIRMAN: Now, may we pass on? Does any member desire to ask anything further? If not, we will just go on to page 24. If we can go on to this page we will finish with the expenditures. Page 24 reads, "Improvements on leased railway property during the year 1924."

Mr. STEWART (Humboldt): There is a footnote to that page which I think needs a little explanation to make it clear.

The CHAIRMAN: You mean, "expenditures on properties leased from one system company to another are included in this account."

Sir HENRY THORNTON: That is purely to keep the books straight.

Mr. HARRIS: Can you make any general statement as to how much you think this item is going to be increased?

Sir HENRY THORNTON: The general statement I made before will apply with equal force to this page.

Mr. HARRIS: In the course of one year it jumps almost 25 per cent, that is, from \$4,625,329.16 to \$5,860,651.08.

[Sir Henry Worth Thornton, K.B.E.]

Mr. HENRY: It is in a number of miscellaneous properties that have been leased.

Mr. HARRIS: I see it is detailed here.

Mr. HENRY: Yes, as to items.

Sir HENRY DRAYTON: There is one item which accounts for a great deal of it, and that is that we bring in for the first time into the accounts the item, "Investment Expenditures by subsidiary companies prior to 1924."

Mr. COOPER: Those are the Great North Western Telegraph properties.

Mr. HARRIS: It will hardly increase at this rate now?

Sir HENRY THORNTON: Oh no.

Mr. HARRIS: Have you any idea of what the increase will be from now on?

Sir HENRY THORNTON: I do not think I can give you that.

The CHAIRMAN: Gentlemen, it is one o'clock. The balance of the report is largely statistical. Shall we go on with that to-morrow, or shall we go on with the Merchant Marine?

Mr. STEWART (Humboldt): Mr. Robichaud had a question he wanted to open up, and I have an item I want to get in too.

The CHAIRMAN: In any case, we might go on with that to-morrow.

Sir HENRY DRAYTON: I think it would be a very nice thing to go on with the Merchant Marine.

The CHAIRMAN: Would you consider that we have this pretty well completed?

Sir HENRY DRAYTON: We have got a lot of information and got on pretty well. In connection with the Merchant Marine, the members of the committee last year were very much interested in the possibility of working up chilled meat shipments to Great Britain. I say that, "chilled meats," because I do not want them as frozen meats. We had it before us that the Argentine was doing a tremendous business, and since then I have taken it up with packers, and they are of the view that if we could arrange for a supply of chilled carcasses a great deal could be done to help this situation. They are also of the view—and farmers that I have spoken to join in this opinion—that it would be very much better if they could get a really good rate on chilled carcasses than for them to attempt to go on with the present high rates on live cattle. We had it established last year that the boats could carry five carcasses in the space occupied by one live beast, and that they could save food and attendance and all that sort of thing, but from their standpoint the company had not gone into it sufficiently to make any general statement as to what could be hoped to be done in that connection. If we could get on with that to-morrow it would be very helpful. I tried to get that information in the other committee which is handling the same subject, but Mr. Doherty, who was called before that committee, said he was not particularly charged with that particular activity, and was not in a position to give the facts. I do not know of anything more important to get to the bottom of than that.

The CHAIRMAN: If we are going on with the Merchant Marine to-morrow, is it to be considered that this is completed, because we would not have the same officials here in one case as in the other. Are you pretty well satisfied with what we have done in this report?

Sir HENRY DRAYTON: Except for two or three things which have come up to-day.

The CHAIRMAN: The other officials could be relieved, then.

Sir HENRY THORNTON: I wanted to ask the committee if it would be possible, if I could perhaps get through to-day and to-morrow. I have a lot of things I ought to attend to.

Sir HENRY DRAYTON: Is there anything you have to say in regard to the railway situation?

Sir HENRY THORNTON: Nothing except some general statement I might like to give you. But I would like to know what the chances are of cleaning this matter up this week, as far as I am concerned. I have a lot of things I ought to do, and it would enable me to plan a little ahead.

Sir HENRY DRAYTON: I do not see why you should be kept here at all. We have not gone through the Capital Account, but I think what I have already got pretty nearly covers that.

The CHAIRMAN: I think we should finish the railway end of it before we go on with the other. We might as well clean it up.

Sir HENRY DRAYTON: We have not touched the condensed balance sheet at all.

Mr. HARRIS: This part I had in mind was the Consolidated Balance Sheet; there is an increase of \$14,000,000, and so on.

The CHAIRMAN: Do you think we might get through that in time to-morrow to go on with the Merchant Marine?

Mr. HARRIS: I would be satisfied with a statement along the lines of the statement given in regard to Equipment.

Sir HENRY DRAYTON: We will meet and do the best we can.

The Committee adjourned.

COMMITTEE ROOM 429,

HOUSE OF COMMONS,

WEDNESDAY, May 13, 1925.

The Select Standing Committee on National Railways and Shipping met at 11 o'clock a.m., the Chairman, Mr. W. D. Euler, presiding.

The CHAIRMAN: Gentlemen, we have a quorum. I would suggest that we complete the Railways, before we go on with the other, if there is anything further beyond the examination of the expenditures.

Sir HENRY THORNTON: Mr. Chairman, may I make a statement in connection with the point which Mr. Harris raised yesterday in regard to printing?

The CHAIRMAN: Yes.

Sir HENRY THORNTON: You will recall Mr. Harris had yesterday a celluloid calendar, which was apparently printed in the United States. I have a report in respect to printing generally, following the point which Mr. Harris raised:—

“All booklets shown under heading ‘Special Publications’ for 1924, were printed in Canada, with the exception of ‘Lakes of Northern Minnesota and Quetico’, which was printed in Minneapolis.

Celluloid calendar cards listed under heading ‘Miscellaneous Printing’ were printed in the United States, due to the fact that there is no firm in Canada which can handle this work. The only other items coming under our Department printed in the United States are small itineraries covering the handling of special parties from points in the United States through Canada, and it would hardly be considered a fair proposition to print these itineraries elsewhere than locally.

It might be noted in general that over 95 per cent of all the printing coming under the jurisdiction of this Department is executed in Canada.”

Mr. HARRIS: Mr. Chairman, you will recall what was running through my mind more particularly was the straight fact of dollars and cents. This letter covers the situation pretty well. If 95 per cent is printed in Canada, it means that of this vote of \$1,280,911.53, five per cent would represent about \$64,000.

Sir HENRY THORNTON: Not more than that; it is probably less.

Mr. HARRIS: I imagine it might be some trouble for the Railway to give the exact figure, so if Sir Henry (Thornton) is agreeable to accepting the figure of \$64,000, we will let it go at that.

The CHAIRMAN: Is there anything further to bring up?

Mr. HARRIS: Another item which I mentioned: I asked Sir Henry Thornton about the Regina Hotel. If I remember correctly, he said they had a legal opinion at the time, previous to their going on with the work, and the one which was presented to the company was an opinion drafted the day before it was presented. The opinion I asked for was the one upon which they acted some year or so ago, before they proceeded with that work. I understood it was to be filed this morning.

Sir HENRY THORNTON: I have not got it here this morning, but Mr. Ruel will be here to-morrow, and will bring any documents you desire. I am not sure whether that opinion given to me by Mr. Ruel was a verbal one or in the form of a letter; I think it was in the form of a letter. In any event, he will bring anything of that nature he has, with him.

The CHAIRMAN: Any other items of unfinished business?

Mr. HARRIS: Mr. Chairman, yesterday I asked in regard to the consolidated balance sheet. Now that we are in about four or five months of this year, possibly we could get something more than a general statement such as is contained in the front of this annual report with regard to how much less money will be spent for capital outlays; in other words, how much less will be added to the asset statement of the consolidated balance sheets for the year that we are now in. You (Sir Henry Thornton) gave us yesterday, you will recall, the figures with regard to loaded equipment. I wonder if you could give us some idea regarding the current assets, preferred assets, and the other items here?

The CHAIRMAN: You mean a sort of estimate of this present year, based on what has already passed?

Mr. HARRIS: Yes. If you will refer to page 24, you will note the figures under "Current assets" for the year 1924 are \$99,000,000, and this other item of \$14,000,000 and so on—

The CHAIRMAN: Are you prepared to make any estimate, Sir Henry (Thornton)?

Sir HENRY THORNTON: About all I could say with any degree of accuracy is what is revealed by this year's Budget. The estimated utilization requirements for the year 1925-26, includes those items, which I think perhaps answers Mr. Harris, namely, "construction and betterments", including co-ordination, acquisition of property and purchase of equipment. The Budget this year includes an item of \$18,940,625, as compared with \$30,446,588.61 for last year.

Mr. HARRIS: \$37,000,000.

Sir HENRY THORNTON: \$30,446,588.61.

Mr. HARRIS: What is that \$30,000,000?

Mr. HENRY: That is for the fiscal year ended March 31.

Mr. HARRIS: 1924?

Mr. HENRY: Yes. The figure you are looking at is the figure included for the calendar year, which includes the actual charges for investment to road and equipment.

The CHAIRMAN: What is the nature of the new equipment you propose to add this year?

Sir HENRY THORNTON: Does that answer your question, Mr. Harris?

Mr. HARRIS: Can you make any statement in regard to the increase in current assets? That covers investment fairly well.

Sir HENRY THORNTON: That covers the amount of money we intend to spend this year in what you might call "Additions and betterments" as against what we spent last year. It is part of the Budget.

Mr. HARRIS: Under what classification would that come on page 14?

Sir HENRY THORNTON: Items 701 and 702.

Mr. HARRIS: That is what I anticipated. Can you make any statement at all with regard to the items from Nos. 708 to 719?

The CHAIRMAN: I was trying to find out what the nature of that equipment was to be.

Mr. FORDE: 11 tourist sleeping cars, 500 automobile box cars for the transportation of automobiles; five observation sleeping cars and five mountain type engines for the Grand Trunk Western lines.

The CHAIRMAN: Is that pretty complete?

Mr. FORDE: A statement was filed the other day.

Mr. HARRIS: I wonder if Sir Henry Thornton can give us any idea of what he expects will be added to the Asset Account under the classification called "Current Assets," say, from numbers 713 to 719, outside of cash, special deposits, bills receivable, and loans.

Sir HENRY THORNTON: As far as one can estimate, the tendency would probably be downward. For instance, there is an item—No. 716—"Materials and Supplies": There is something more than \$50,000,000; that was reduced this year, and will probably be reduced next year, and in subsequent years.

Mr. HARRIS: That is your insurance premiums will increase, won't they?

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: You also have to have an account of material and supplies on hand?

Sir HENRY THORNTON: Yes. You will at once see the value of reducing it as much as possible.

Sir HENRY DRAYTON: Yes. I admit it is too high. You should reduce it.

Mr. HARRIS: The grand total of your assets should not increase at all in the same ratio as last year.

Sir HENRY THORNTON: I should not think so.

Sir HENRY DRAYTON: Do you think you can get down to the same ratio as last year in material and supplies?

Sir HENRY THORNTON: I do not know. That is a campaign that has got to be kept up year after year, and the harder you attack it, the further you reduce it. Another thing that rather complicates our position is, that on account of our coal position, to protect ourselves, we have to carry pretty big stocks of coal.

Sir HENRY DRAYTON: I do not mind telling you frankly that in my opinion you cannot get down to the basis of the Bureau. The basis of the Bureau, as I recollect it, is ten per cent of the gross operating expenses for the year. Lots of the American Lines do not do it.

Sir HENRY THORNTON: That would be about half of this.

Sir HENRY DRAYTON: One of the reasons that you cannot do it is that your points of purchase and dispersion are much more widely spread than in the

States and therefore you have to have a somewhat larger supply on hand, but I have made a calculation as to it and I have shown it to Mr. Henry to check. I think it is right. Both the Canadian lines, as I expected, are above that. The Canadian Pacific, instead of ten, is 18.68. And the National, 23.11.

Sir HENRY THORNTON: What percentage is theirs of their gross? I mean their expenses.

Sir HENRY DRAYTON: They are 18.68. They are 8.68 above the requirements of the Bureau.

Sir HENRY THORNTON: But their percentage is 18?

Sir HENRY DRAYTON: Yes, 18.68. Yours is 23.11. Have you checked that list yet, Mr. Henry? Is that right?

Mr. HENRY: About the C.P.R. I cannot say.

Sir HENRY DRAYTON: You did not check the C.P.R. Well, I got that from their annual statement.

Sir HENRY THORNTON: Yes, I should think we ought to get to that.

Mr. JELLIFF: What proportion of the material is ties?

Mr. FORDE: It is \$5,517,569.72.

Mr. JELLIFF: Rails.

Mr. FORDE: \$4,642,213.33.

Mr. JELLIFF: Have you an estimate of your coal?

Mr. FORDE: Fuel, \$16,065,637.31.

Sir HENRY THORNTON: Fuel represents the largest single item in the account.

Mr. FORDE: There is approximately three months' stock of coal in there, to carry us to March 31, or to the opening of navigation.

Mr. HENRY: There is another thing to be noticed. The average price of fuel is much higher.

Sir HENRY DRAYTON: Much higher. That also increases the percentage. You cannot get down to that ten per cent. The whole thing to do is to get as near to it as you can, that is all.

Sir HENRY THORNTON: It is one of those things you can only meet by a constant campaign. The tendency of the item is to creep up and you have to meet that by a constant pressure to keep it down.

Sir HENRY DRAYTON: Then we had yesterday the amount of the American rolling stock bought in the States last year. I wonder if we could get the total amount of rolling stock in American territory, which is subject to your depreciation.

Mr. HENRY: The book value?

Sir HENRY DRAYTON: Which is subject to the depreciation set up under the United States law. I think you have that here.

Sir HENRY THORNTON: There was a request for a statement showing the routes operating the unit cars. The motor-propelled vehicles of different kinds. That was asked for and that is ready to be sent in.

The CHAIRMAN: Should that go in on the record?

Sir HENRY THORNTON: I do not know who asked that. Mr. Milne, I think.

The CHAIRMAN: Did you want that on the record, Mr. Milne?

Mr. MILNE: We might just as well have it in.

Sir HENRY THORNTON: It is as follows:—

CANADIAN NATIONAL RAILWAYS

STATEMENT showing routes operating unit cars, 1925:

Route From:	To:	Description of Car:	Car Number:
Bridgeburg	Black Rock	Steam Unit Coach	15900 and 15901
Campbellton	Bathurst	Storage Battery Coach	15792
Newcastle	Loggieville	Storage Battery Coach	15793 and 15798
South Devon	Centreville	Storage Battery Coach	15798
Pictou	Stellarton and New Glasgow	Storage Battery Coach	15798
Toronto	Oakville and Hamilton	Storage Battery Coach	15794
Toronto	Weston	Storage Battery Coach	15794
Toronto	Western	Storage Battery Coach	15804
Ottawa	Pembroke	Storage Battery Coach	15795
Brantford, Paris,	Lynden, Harrisburg and St. George	Storage Battery Coach	15796
Elmira	Galt and Kitchener	Storage Battery Coach	15797
Montreal	Waterloo	Storage Battery Coach	15799
Transcona	Winnipeg	Storage Battery Coach	15800
Toronto	Beaverton	Storage Battery Coach	15801
Halifax	Windsor Junction	Storage Battery Coach	15802
Brockville	Westport	Storage Battery Coach	15803
Victoria	Cowichan	Gasoline Motor Coach	15812 and 15813
Trenton	Pictou	Gasoline Motor Coach	15814 and 15816
Kamloops	Kamloops Junction	Gasoline Motor Coach	15700 and 15701

Sir HENRY THORNTON: With that, there was a request for cars equipped with sleeping accommodation. The number of cars. That too is ready. It is as follows:—

CANADIAN NATIONAL RAILWAYS

Cars Equipped With Sleeping Accommodation

	Cars
Standard sleeping cars:	
10 sections, 1 drawing room..	3
10 sections, 2 drawing rooms..	44
10 sections, 1 drawing room, 1 compartment..	25
12 sections, 1 drawing room..	126
14 sections..	1
	199
Buffet sleeping cars:	
8 sections..	3
9 sections, 1 drawing room..	1
10 sections, 1 drawing room..	9
12 sections, 1 drawing room..	3
	16
Tourist cars:	
12 sections..	1
14 sections..	36
	37
Combination cafe parlour sleeping cars:	
4 sections, 1 compartment..	4
Club compartment—1 drawing room, 3 compartments..	2
Compartment:	
8 compartments..	2
6 compartments..	2
	4
Compartment observation library buffet cars:	
1 drawing room, 4 compartments..	25
Total..	287

Pullman Cars Assigned To Canadian National Railways Lines

12 section, 1 drawing room sleeping cars..	59
10 section observation cars..	3
10 section, 1 drawing room, 2 compartment cars.. . .	3
1 drawing room 5 compartment club cars..	4
	69
Total..	69

Sir HENRY THORNTON: Then Sir Henry Drayton asked for a statement of new rail purchased and laid in 1923-24. That is here with all the detail. Shall I give that to you, Sir Henry, or just hand it in.

Sir HENRY DRAYTON: Just hand it in.

Sir HENRY THORNTON: It is as follows:—

CANADIAN NATIONAL RAILWAYS

NEW RAIL PURCHASED AND LAID 1923-24

(Exclusive of Central Vermont Railway in U. S. A. and New Branch Lines constructed under Branch Line Bills)

Year	Gross tons received	Gross tons laid	Tons laid in excess of purchase or balance on hand end of each year
1923.....	139,352	109,189	30,163
1924.....	118,326	129,243	10,917
Balance on hand December 31, 1924.....			19,246

Office of Chief Engineer, Operation Department,
Montreal, Que., May 1, 1925.

CANADIAN NATIONAL RAILWAYS

New Rail Ordered and Received during 1924, exclusive of Requirements of Central Vermont Railway in U. S. A., but including Rail Purchased for St. Jerome Cut-off, and Electric Lines in Ontario

Mill	Weight lbs.	Date of order	Class	Price	Gross tons ordered 1924	Gross tons received, 1924	Track miles
B. E. S. C.	100	Feb. 13, 1924	No.	\$46 00 f.o.b. cars, Sydney	32,292-00	32,294-00	205-51
B. E. S. C.	85	Feb. 13, 1924	1	43 70 " " " "	23,972-00	23,983-16	179-55
Algoma	100	Feb. 13, 1924	1	43 70 " " " "	12,100-00	12,168-00	77-44
Algoma	85	Feb. 13, 1924	2	46 07 " " " "	28,119-00	28,118-23	210-51
B. E. S. C.	100	July 12, 1924	2	48 50 " " " "	112,000-00		
			1	46 07 " " " "			
			2	44 18 " " " "			
Total for Steam Lines in Canada							
National Tube Co.	103	May 1, 1924	1	\$ 50 00 f.o.b. cars Lorain	112-00	113-04	0-70
National Tube Co.	103	May 15, 1924	1	46 00 " " " "	250-00	250-49	1-55
Total for Electric Lines in Ontario							
Bethlehem	100	Oct. 3, 1923	1	43 40 " " Black Rock	2,000-00	2,003-20	12-75
Illinois	100	Nov. 9, 1923	2	41 25 " " " "	10,715-00	10,709-95	68-15
U. S. S. P. Co.	90	Nov. 9, 1923	2	41 25 " " G.T.R., cars, Chicago	7,073-00	7,073-32	50-01
U. S. S. P. Co.	85	Dec. 3, 1923	1	43 40 " " " "	1,000-00	1,000-83	7-49
Bethlehem	100	Jan. 26, 1924	2	41 25 " " " "	*392-85	*150-53	*0-96
Illinois	100	June 11, 1924	2	49 85 " " Steelton	500-00	500-94	3-19
Illinois	100	Sept. 24, 1924	2	41 25 " " Chicago	1,250-00	1,254-20	7-98
U. S. S. P. Co.	100	Nov. 8, 1924	2	43 40 " " " "	241-50	241-85	1-54
U. S. S. P. Co.	100	Nov. 8, 1924	2	41 25 " " " "	23,172-35	22,934-82	152-07
Total for Steam Lines in U.S.A.							

Grand Total.....	132,018.35	119,861.74	119,861.74	827.33
Less received, 1924.....	119,861.74	1,536.00†		
Undelivered.....	12,156.61	118,325.74		
Details of undelivered:—				
B. E. S. Co. ordered July 12, 1924 to be delivered and paid for after April, 1 1925.....	Gross tons			
Cancelled Bethlehem order.....	12,000.00			
Variations.....	142.32			
	14.29			
	12,156.61			

*Balance of order cancelled. †For 1925 delivery. ‡For St. Jerome Cut-off.

Office of Chief Engineer, Operation Department,
Montreal, Que., May 1, 1925.

Sir HENRY THORNTON: This is part of the same. Mr. Harris asked for a statement of other track material which would include Angle Bars, Anti-creepers, and so on.

Mr. HENRY: The point there, Sir Henry, that I think Mr. Harris had in mind, is this, that the increase in other track material did not correspond with the increase in rails. This gives the explanation.

ACCOUNT 214—RAILS LAID

Year to December 31	Tonnage used in relaying	Cost	Scrap Released		Serviceable Rail Released		Capital Account		Maintenance Account	
			Tons	Value	Tons	Value	Tons	Amount	Tons	Amount
		\$		\$		\$		\$		\$
1924.....	230,454	9,537,686	36,593	407,505	158,465	4,003,199	35,435	1,450,860	195,019	3,676,122
		Capital.....					\$ 1,450,860			
		Maintenance.....					3,676,122			
		Value of scrap released.....					\$ 407,505			
		Value of serviceable rail released.....					4,003,199			
									4,410,704	
									\$ 9,537,686	

Account No. 216.—Other Track Material.

This Account includes the following:—

Angle bars,	Offset bars,	Switch lamps,
Anticreepers,	Rail braces,	Switch locks and keys,
Connecting rods,	Rail chairs,	Switch points,
Derails,	Rail clips,	Switch stands,
Frog and Guard-rail blocking,	Rail joints,	Switch-stand bolts,
Frogs,	Rail rest,	Switch targets,
Guard-rail clamps,	Rail shims,	Switches,
Guard-rail fasteners,	Rail splices,	Tie plates,
Guard-rails,	Splice bars,	Tie plugs,
Main rods,	Step chairs,	Tie rods,
Nut locks,	Switch chairs,	Track bolts,
Nuts,	Switch crossings,	Track insulators,
		Track spikes.

In the renewing of rails with rails of the same or heavier section, the only items in the above list that are generally affected are Angle Bars or Rail Joints, Nut Locks, Track Bolts, Track Spikes, and Tie Plugs, the cost of which, for ordinary replacements, averages from ten to eighteen per cent of the cost of the rails, depending on weight and price. All of the articles listed, including Angle Bars or Rail Joints, Nut Locks, Track Bolts, Track Spikes, and Tie Plugs, are used in ordinary maintenance, which is not in any way affected by the amount of rail laid during the Season. This ordinary maintenance accounts for by far the greater part of the expenditures on this Account.

As to the increase in the expenditure of 1924 over 1923 for rails, account No. 214, as given on page 111 of the Evidence, it is shown that this increase is due to more tonnage of rail laid and to an increase in the price per ton of rail laid.

The main increase in Account No. 216 "Other Track Material", is due to more angle bars, bolts, and spikes being required for the additional rail laid, which item amounted to about \$88,000 and to an increase in the price of fastenings of from \$3.16 per hundred pounds to \$3.24 per hundred pounds, amounting to about \$24,000, which with a credit for less "Other Material", due to ordinary maintenance, of \$12,000, accounts for the increase shown. It is to be noted that the increase in the additional Angle Bars and Fastenings used, and their increased cost, amounting in all to \$104,000 is approximately 10 per cent of the \$569,000 and \$520,000 (or \$1,089,000) increased cost for additional rail laid in 1924.

Office of Chief Engineer,
Operation Department,
Montreal, May 5th, 1925.

Sir HENRY THORNTON: I think it was Sir Henry Drayton who asked for a statement of the different officers at outlying points in the Traffic Department with their functions.

VICE-PRESIDENT TRAFFIC DEPARTMENT, MONTREAL, QUE., May 2nd, 1925.

LIST OF OFFICERS—TRAFFIC DEPARTMENT

Antwerp, Belgium:

W. Taylor Special Agent.

Boston, Mass.:

N. W. Hawkes New England Traffic Manager.
 C. J. Pierce General Agent, Freight Department.
 W. J. Gilkerson General Agent, Passenger Department.

Brandon, Man.:

H. K. Gays Division Freight Agent.

Buffalo, N.Y.:

W. P. Fitzsimons General Freight Agent.
 J. V. Maloney General Agent, Freight Department.
 H. M. Morgan General Agent, Passenger Department.

Calgary, Alta.:

R. C. Fair Division Freight Agent.

Cleveland, Ohio.:

F. A. Shaw General Agent, Freight Department.

Cardiff, Wales:

F. J. Arrowsmith District Traffic Agent.

Charlottetown, P.E.I.:

P. W. Clarkin Division Freight and Passenger Agent.

Chicago, Ill.:

R. L. Burnap Freight Traffic Manager.
 E. F. Flinn General Freight Agent.
 J. Cameron Assistant General Freight Agent.
 L. A. Veroneau Chief of Tariff Bureau.
 R. F. Clark General Agent, Freight Department.
 C. A. Gormaly Foreign Freight Agent.
 A. B. Chown General Passenger Agent.
 W. R. Eastman Assistant General Passenger Agent.
 C. G. Orttenger General Western Passenger Agent.

Cincinnati, Ohio.:

W. K. Evans General Agent.

Detroit, Mich.:

W. H. Spicer Assistant General Freight Agent.
 H. H. Hamill General Agent, Freight Department.
 H. L. McCaughey General Agent, Passenger Department.
 A. L. Shanley Commissioner of Industries.

Duluth, Minn.:

C. A. Skog Division Freight and Passenger Agent.

Edmonton, Alta.:

R. H. Bell Division Freight Agent.
 J. Madill District Passenger Agent.

SELECT STANDING COMMITTEE

Genoa, Italy:

L. G. Laing..Special Agent.

Glasgow, Scotland:

J. M. Walker..District Traffic Agent.

Grand Rapids, Mich.:

A. Z. Mullins..Division Freight Agent.

Halifax, N.S.:

E. B. Robb..Division Freight Agent.
H. C. MacFarlane..District Passenger Agent.
J. H. Corcoran..General Agent S/S Department.

Hamilton, Ont.:

R. J. S. Weatherston..Division Freight Agent.

Hong Kong, China:

A. Brostedt..General Traffic Agent.

Kansas City, Mo.:

L. E. Ayer..General Agent.

Liverpool, Eng.:

D. L. Roper..District Freight Agent.
H. V. Caldwell..District Passenger Agent.

London, Eng.:

P. A. Clews..European Traffic Manager.
G. E. Cowie..General Freight Agent.
F. A. Young..General Passenger Agent.
J. P. McClelland..District Passenger Agent.
F. J. G. Smith..Publicity Agent.
J. Deed..City Agent.
Wm. Phillips..European Manager.

Los Angeles, Cal.:

C. S. Wainwright..General Agent, Freight Department.
H. R. Bullen..Assistant General Agent, Passenger Dept.

Manchester, Eng.:

R. J. McEwan..District Traffic Agent.

Milwaukee, Wis.:

H. W. Ploss..General Agent, Freight Department.

Minneapolis, Minn.:

Geo. H. Brown..General Agent, Freight Department.

Moncton, N.B.:

A. T. Weldon..Traffic Manager.
M. F. Tompkins..General Freight Agent.
J. H. Norton..Assistant General Freight Agent.
I. F. Avard..Superintendent, Weighing Department.
F. W. Robertson..General Passenger Agent.
G. D. Leblanc..General Baggage Agent.
A. H. Lindsay..Advertising Agent.

Montreal, Que.:

J. E. Dalrymple..	Vice-President.
G. T. Bell..	Executive Assistant to Vice-President.
J. M. Sparling..	Assistant to Vice-President.
H. C. Martin..	General Freight Traffic Manager.
F. J. Watson..	Freight Traffic Manager.
R. W. Long..	General Freight Agent.
R. E. Perry..	Manager, Rate and Tariff Bureau.
J. Orr..	Manager, Division Bureau.
G. T. Pettigrew..	Division Freight Agent.
S. E. Leger..	General Agent, Freight Department.
D. O. Wood..	Traffic Manager, Foreign Freight Department.
R. J. Foreman..	Foreign Freight Agent.
J. A. Wright..	Assistant Foreign Freight Agent.
H. C. Meacham..	Import Freight Agent. Manager, Industrial Department.
S. G. Tiffin..	Commissioner of Industries.
E. J. Hilliard..	Live Stock Agent.
H. H. Melanson..	General Passenger Traffic Manager.
E. Gooch..	Assistant to General Passenger Traffic Manager.
C. W. Johnston..	Passenger Traffic Manager.
R. L. Fairbairn..	Manager, Passenger Service Bureau.
J. R. Melville..	Assistant to Manager Passenger Service Bureau.
H. R. Charlton..	Manager, Advertising Bureau.
W. L. Crighton..	Assistant Manager, Advertising Bureau.
R. F. MacLeod..	Manager, Tariff and Ticket Bureau.
C. K. Howard..	General Tourist Agent.
E. C. Elliott..	General Passenger Agent.
J. Morrison..	General Passenger Agent S/S.
J. P. Marion..	District Passenger Agent.
H. F. Tilley..	General Agent, Passenger Department.
E. S. Davies..	General Agent (Chinese).

New York, N.Y.:

J. O. Adams..	General Eastern Freight Agent.
C. E. Jenney..	General Agent, Passenger Department.
H. S. Head..	Foreign Freight Agent.

North Bay, Ont.:

W. E. G. Bishop..	Division Freight and Passenger Agent.
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Ottawa, Ont.:

F. G. Gould..	Division Freight Agent.
P. M. Buttler..	General Agent.

Philadelphia, Pa.:

T. A. Chappell..	General Agent, Freight Department.
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Pittsburgh, Pa.:

D. M. Crawford..	General Agent, Freight Department.
W. J. Burr..	General Agent, Passenger Department.

Port Arthur, Ont.:

R. N. Card..	Division Freight Agent.
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Portland, Me.:

G. L. Nelson..	Division Freight Agent.
G. A. Harrison..	General Agent, Passenger Department.

Prince Rupert, B.C.:

H. McEwen..	Division Freight Agent.
R. F. McNaughton..	District Passenger Agent.

SELECT STANDING COMMITTEE

Quebec, Que.:

P. Mooney Assistant General Freight Agent.
 J. E. Lapage Division Freight Agent.
 J. E. Leblanc District Passenger Agent.

Regina, Sask.:

R. M. Milliken Division Freight Agent.

St. John, N.B.:

A. J. Gray Assistant General Freight Agent.

St. Johns, Nfld.:

R. H. Webster General Agent.

St. Louis, Mo.:

W. H. Burke General Agent.

St. Paul, Minn.:

A. H. Davis General Agent, Passenger Department.

San Francisco, Cal.:

J. Waugh General Agent, Freight Department.
 W. F. Barry General Agent, Passenger Department.

Saskatoon, Sask.:

L. A. Fonger Division Freight Agent.
 W. Stapleton District Passenger Agent.

Seattle, Wash.:

F. L. Norman General Agent, Freight Department.
 J. F. McGuire General Agent, Passenger Department.

Southampton, Eng.:

F. E. Birch District Traffic Agent.

Stratford, Ont.:

V. G. Snell Division Freight Agent.

Shanghai, China:

D. E. Ross Traffic Agent.

Sydney, Australia:

J. F. Johnston General Agent.

Toledo, Ohio:

W. F. Schroeder General Agent, Freight Department.

Toronto, Ont.:

L. Macdonald Assistant Freight Traffic Manager.
 F. R. Porter Foreign Freight Agent.
 G. R. Fairhead Division Freight Agent.
 S. J. Raymond Commissioner of Industries.
 H. C. Bourlier General Passenger Agent.
 C. E. Horning Assistant General Passenger Agent.
 W. J. Moffatt District Passenger Agent.
 R. C. Gadsby General Agent, Passenger Department.
 L. L. Grabill General Baggage Agent.
 W. C. Riddell Advertising Agent.
 J. Boyd Superintendent, Weighing Department.

Vancouver, B.C.:

J. M. Horn..	General Freight Agent.
J. R. Scott..	Assistant General Freight Agent.
W. A. Whyte..	Division Freight Agent.
G. A. McNicholl..	General Passenger Agent.
K. E. McLeod..	District Passenger Agent.
E. McDonald..	Assistant General Baggage Agent.
L. McCutcheon..	Foreign Freight Agent.

Victoria, B.C.:

H. A. Stuart..	Division Freight Agent.
C. F. Earle..	District Passenger Agent.

Windsor, Ont.:

W. M. Hood..	General Agent, Freight Department.
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Winnipeg, Man.:

W. G. Manders..	Freight Traffic Manager.
A. E. Rosevear..	General Freight Agent.
J. M. Macrae..	Assistant General Freight Agent.
W. Hately..	Assistant General Freight Agent.
F. G. Adams..	Assistant General Freight Agent.
J. Paul..	Division Freight Agent.
R. Creelman..	Passenger Traffic Manager.
S. O. Scott..	General Passenger Agent.
W. J. Quinlan..	District Passenger Agent.
C. W. Higgins..	Advertising Agent.
H. M. Spence..	General Baggage Agent.

Also a statement showing the expenses of outside agencies which exceeded \$20,000 during the calendar year 1924.

VICE PRESIDENT—TRAFFIC DEPARTMENT

MONTREAL, QUE., May 2nd, 1925.

STATEMENT Showing Expenses of Outside Agencies which Exceeded \$20,000, During Calendar Year 1924

New England Traffic Manager, Boston, Mass..	1
Office Staff..	5
Total..	6
Total Salaries..	\$ 16,977 96
Rental..	4,520 02
Travelling, Incidental and Office Expenses..	8,005 17
Total..	\$ 29,503 15
General Agent, Freight Department, Boston, Mass..	1
Office Staff..	12
Westbound Agent..	1
Eastbound Agent..	1
Travelling Freight Agents..	3
Freight Traffic Representatives..	3
Total..	21
Total Salaries..	\$ 41,578 19
Rental..	4,271 88
Travelling, Incidental and Office Expenses..	13,475 29
Total..	\$ 59,325 36

SELECT STANDING COMMITTEE

(*) General Agent, Freight Department, Minneapolis, Minn.	1
Office Staff	5
Commercial Agent	1
City Freight Agent	1
Travelling Freight Agents	3
Total	<u>11</u>
Total Salaries	\$ 25,684 23
Rental	2,640 00
Travelling, Incidental and Office Expenses	8,050 70
Total	<u>\$ 36,374 93</u>
(*) Includes Expenses of City Freight Agent, St. Paul and T.F.A., Omaha.	
Commercial Agent, New Haven	1
Office Staff	2
Travelling Freight Agents	3
Total	<u>6</u>
Total Salaries	\$ 12,650 00
Rental	1,350 00
Travelling, Incidental and Office Expenses	7,292 59
Total	<u>\$ 21,292 59</u>
General Eastern Freight Agent, New York	1
Office Staff	7
Westbound Agent	1
Eastbound Agent	1
Travelling Freight Agent	1
Freight Traffic Representatives	4
Total	<u>15</u>
Total Salaries	\$ 31,955 62
Rental	9,000 00
Travelling, Incidental and Office Expenses	7,520 54
Total	<u>\$ 48,476 16</u>
General Agent, Freight Department, Philadelphia, Pa.	1
Office Staff	2
Travelling Freight Agents	2
Freight Traffic Representative	1
Total	<u>6</u>
Total Salaries	\$ 14,183 90
Rental	2,630 00
Travelling, Incidental and Office Expenses	3,788 17
Total	<u>\$ 20,602 07</u>
(*) General Agent, St. Louis, Mo.	1
Office Staff	3
Travelling Freight Agents	3
Freight Traffic Agents	2
Travelling Passenger Agent	1
Total	<u>10</u>
Total Salaries	\$ 24,478 42
Rental	900 00
Travelling, Incidental and Office Expenses	1,025 97
Total	<u>\$ 26,404 39</u>

(*) Includes Expenses of T.F.A., New Orleans:	
(*) General Agent, Freight Department, Seattle, Wash.	1
Office Staff	3
Freight Traffic Representatives	3
Total	<u>7</u>
Total Salaries	\$16,398 50
Rental	2,509 00
Travelling, Incidental and Office Expenses	9,848 72
Total	<u>\$28,756 22</u>
(*) Includes Expenses of Freight Traffic Representative, Portland, Ore.	
Foreign Freight Agent—New York, N.Y.	1
Office Staff	4
Export Agent	1
Import Agent	1
Freight Traffic Representative	1
Total	<u>8</u>
Total Salaries	\$17,270 00
Rental	3,492 00
Travelling, Incidental and Office Expenses	5,094 80
Total	<u>\$25,856 80</u>
General Agent—Passenger Department, Boston, Mass.	1
Office Staff	7
Travelling Passenger Agents	2
City Passenger Agent	1
Total	<u>11</u>
Total Salaries	\$21,871 06
Rental	4,000 00
Travelling, Incidental and Office Expenses	5,457 06
Total	<u>\$31,328 12</u>
General Agent, Passenger Department, New York	1
Office Staff	5
Travelling Passenger Agent	1
City Passenger Agents	2
Passenger Traffic Representative	1
Total	<u>10</u>
Total Salaries	\$26,143 50
Rental	4,800 00
Travelling, Incidental and Office Expenses	9,110 95
Total	<u>\$40,054 45</u>
General Agent—Passenger Department, San Francisco	1
Office Staff	1
Travelling Passenger Agent	1
City Passenger Agent	1
Passenger Agent	1
Total	<u>5</u>
Total Salaries	\$ 13,260 00
Rental	9,000 00
Travelling, Incidental and Office Expenses	2,775 52
Total	<u>\$ 25,035 52</u>

SELECT STANDING COMMITTEE

General Agent, Passenger Department, Seattle, Wash.	1
Office Staff	3
Travelling Passenger Agent	1
City Passenger Agent	1
Total	6
Total Salaries	\$ 13,592 50
Rental	7,200 00
Travelling, Incidental and Office Expenses	5,065 87
Total	\$ 25,858 37
General Agent, Passenger Department, St. Paul, Minn.	1
Office Staff	2
Travelling Passenger Agent	1
City Passenger Agent	1
Total	5
Total Salaries	\$ 12,720 00
Rental	3,900 00
Travelling, Incidental and Office Expenses	4,756 02
Total	\$ 21,376 02

Sir HENRY THORNTON: Also a statement showing the list of European Colonization offices and expenditures for the year 1924.

LIST OF EUROPEAN COLONIZATION OFFICES AND EXPENDITURES YEAR 1924

London	\$ 92,415 29
Liverpool	7,464 93
Glasgow	19,035 36
Belfast	1,216 52
Holland	3,640 89
Denmark	9,120 88
Norway	5,018 38
(a) Extraordinary Expenses incurred in Canada	36,842 75
Total	\$ 174,755 00

(a) Extraordinary expenses include leaflets for distribution at British Empire Exhibition (\$24,000), motion picture films, negatives and slides, grasses, grains and fruits for display purposes, ocean freight charges on foregoing material, steamship transportation, and expenses of Scottish Editors during tour through Canada.

The CHAIRMAN: Do you want all those on the record?

Sir HENRY DRAYTON: They seem to be very short. It saves examining on them; saves time; if we go over them now it would take some time to get it down. I think we save time this way. It is probably the way that Sir Henry thinks it fairest for them to go on.

Sir HENRY THORNTON: I think it is all there.

Also Sir Henry Drayton asked a statement of capital expenditure on account of the Radio Department, 1924. That is given in detail.

CANADIAN NATIONAL RAILWAYS

STATEMENT of Capital Expenditures—Radio Department 1924:

Minaki Inn—Receiving Set	\$ 555 38
Grand Beach Hotel and Jasper Park Receiving Set	584 41
Fort Garry Hotel, Winnipeg Receiving Set	555 38
Macdonald Hotel, Edmonton Receiving Set	555 38
Chateau Laurier and Highland Inn Receiving Set	779 72
Prince Arthur Hotel, Port Arthur Receiving Set	555 38
18 Receiving Sets for Compartment Library Observation Cars	10,105 63
Broadcasting Station, Ottawa	18,440 26
Broadcasting Station, Moncton	17,472 48
Radio Test Car	1,022 30
Furniture and Equipment—Montreal	995 31

Total Capital Expenditure Radio Department 1924 \$51,621 63

Sir HENRY THORNTON: Also a detailed statement of the operating expenses with respect to radio. That has been subdivided, I think, in quite sufficient detail. Mr. Jelliff asked for that.

CANADIAN NATIONAL RAILWAYS

STATEMENT of Radio Operating Expense 1924

Broadcasting:	
Montreal	\$10,018 62
Ottawa	13,779 64
Toronto	4,737 37
Winnipeg	3,380 47
Calgary	6,977 34
Edmonton	1,576 34
Regina	2,104 49
Saskatoon	1,066 34
Moncton	2,004 86
Total	<u>\$45,645 47</u>
Operation of Radio Sets on Trains:	
Wages	\$17,015 05
Personal expenses	14,748 02
Maintenance	4,229 71
Uniforms	962 00
Rooms for operators	260 00
Meals and berths on trains	9,034 00
Licenses	25 00
Total	<u>\$46,273 78</u>
General Expenses:	
Wages of staff	\$28,459 32
Personal expenses	5,034 40
Miscellaneous	1,153 71
Proportion of wages of Pub. rep.	915 51
Advertising	970 74
Radio programmes	262 50
Broadcasting—New York	150 00
Total	<u>\$36,946 18</u>

SUMMARY

	Wages	Other Expenses	Personal Expenses	Total
Broadcasting	\$ 9,581 74	\$35,758 07	\$ 305 66	\$45,645 47
Operation on trains	17,015 05	14,510 71	14,748 02	*46,273 78
General expenses	28,459 32	3,452 46	5,034 40	36,946 18
Total	<u>\$55,056 11</u>	<u>\$53,721 24</u>	<u>\$20,088 08</u>	<u>\$128,865 43</u>

*—This includes \$9,034 covering meals and berths on trains.

Sir HENRY THORNTON: Then Mr. Stewart and Mr. Milne asked for a statement of the gross tons per train, for the different regions and for the system, and that is shown as follows:—

CANADIAN NATIONAL RAILWAYS

Gross Tons per Train—Years 1924-1923

	Atlantic Region		Central Region		G.T. Western		Western Region		System	
	1924	1923	1924	1923	1924	1923	1924	1923	1924	1923
Freight Trains only	1,030	981	1,306	1,263	1,497	1,390	1,476	1,430	1,362	1,311

*—First 4 months 1923 obtained by deducting estimated Mixed Train Gross Ton Mileage—G.T.R. (lines east of St. Clair River) and G.T.W.—from total G.T. Mileage—account no split between Mixed and Freight available. Estimate made on basis of Mixed Train load last 8 months.

Bureau of Statistics,
Montreal, May 11, 1925.

Sir HENRY THORNTON: Mr. Stewart asked for a statement showing the amount of account 420, Injuries to Persons, expressed as a percentage of gross earnings for the roads and years as shown. That is as follows:—

STATEMENT Showing Amount of Account 420—Injuries to Persons—Transportation Department Expressed as a Percentage of Gross Earnings for Roads and Years as Shown.

	Gross Revenue	Amt. of Acct. 420	Acct. 420 per cent Gross Revenue
Class I—U.S. Roads 1923.. . . .	\$6,289,580,027 00	\$ 29,924,030 00	.0476
Canadian National 1923.. . . .	253,135,487 61	777,677 44	.0307
Class I—U.S. Roads 1924—Figures not available.			
Canadian National 1924.. . . .	235,588,182 55	989,005 92	.04200
1923—			
Class I—U.S. Roads0476% }		Canadian National for 1923 was only 64.5% of Class I—U.S. Roads.	
Canadian National.. . . .0307% }			
1924—			
Class I—U.S. Roads.. . . .Figures not available }		Canadian National for 1924 was only 88.24% of Class I—U.S. Roads for 1923.	
Canadian National042% }			

Sir HENRY THORNTON: Sir Henry Drayton asked for a statement showing the proportion of the Pacific Canadian ports wheat shipments to the Orient, to the United Kingdom and to Europe. That is as follows:—

CANADIAN NATIONAL RAILWAYS

STATEMENT Showing Proportion of Pacific Canadian Ports Wheat Shipments to Orient, United Kingdom and Europe

Year	Total to U.K., Europe & Orient Bush.	To U.K. & Europe Bush.	To Orient Bush.	% to U.K. & Europe %	% to Orient %
Year 1922-23	16,688,038	14,318,058	2,369,980	85.8	14.2
Year 1923-24	51,207,007	39,845,980	11,301,021	77.8	22.2

NOTE: Figures are from Dominion Bureau of Statistics and for wheat only as records for 1922-23 are not compiled to include grain other than wheat. It is of note that total of all grain for 1923-24 to the above countries was 52,312,549 bushels, making wheat 97 per cent of all grain shipped through these ports.

Sir HENRY THORNTON: Then Sir Henry also asked for a statement of the money spent on equipment in the United States, for the year 1924. In round figures that means that we spent \$14,000,000 in Canada and \$562,000 in the United States. The rest of the information will be in in a day or so, that has been asked for.

Sir HENRY DRAYTON: I think you are doing pretty well.

The CHAIRMAN: That will make quite a book.

Sir HENRY DRAYTON: I think so. I think we are getting a lot of information very quickly.

Sir HENRY THORNTON: Then, Sir Henry, you asked a question now?

Mr. COOPER: Sir Henry Drayton asked for the value of the equipment on the American lines. The total is \$20,808,127.

Sir HENRY THORNTON: That is answered then.

Sir HENRY DRAYTON: Just before we take up the estimate. There is one thing that perhaps ought to be cleared up a little bit. I do not think the Minister had it quite right. I had not the pleasure of being able to hear him, because I had to be in the Ocean Rates Committee when he made his statement; but he referred, as I recollect it, to one item of \$8,000 of the Central

Vermont. I think we should have a reference to two items, both of them of \$8,000,000 odd. The account in the book is perhaps a little misleading in that we have the statement at the top that it is exclusive of the Central Vermont. If you look, Mr. Chairman, at the item "C" Notes, on page 14. I think that is the item that Mr. Graham referred to. Under the head of "Investments" "C Notes" there is an item of \$8,041,905.52. That item is not excluding the Central Vermont Railway Company, as the note at the top would indicate, but that item represents advances made on notes of the Central Vermont Railway.

Then there is "D" an item under the head of "Advances" for \$8,973,750.47. That represents advances made to the Central Vermont Railway.

Mr. COOPER: Not all of that item is Central Vermont Railway.

Sir HENRY DRAYTON: Practically all of it. The exact details are given at page 38. If the Committee will turn to page 38, Mr. Chairman, there is a deduction to be made from that last one. It does not amount to very much though. What I should have said is that the advances to the Central Vermont under the head of "D" amount to \$8,274,470.05. The whole thing is to get a clear understanding.

Major BELL: What is your point there, Sir Henry?

Sir HENRY DRAYTON: I think the Minister referred to item 8.

Sir HENRY THORNTON: I think Mr. Henry can clear that up if you would not mind hearing him.

Sir HENRY DRAYTON: Certainly.

Mr. HENRY: The statement at the beginning purports to be a balance sheet of the Canadian National Railway system, and the term "Excluding the Central Vermont Railway" means that so far as the balance sheet of the system is concerned, it did not include the Central Vermont.

Sir HENRY DRAYTON: But the assets are part of it.

Mr. HENRY: The assets which, apart from the balance sheet figure, are part of the system, are necessarily included in here.

Sir HENRY DRAYTON: The assets are necessarily part of the balance sheet.

Mr. HENRY: But that is not all the assets Sir Henry.

Sir HENRY DRAYTON: These particular assets are shown here because they are thought, I suppose, to be fairly decent assets.

Mr. HENRY: No, you could not show them otherwise. This is the Canadian National Railway system balance sheet, and they are assets.

Sir HENRY DRAYTON: Very good, then they are assets; and they are assets of the Central Vermont.

Mr. HENRY: No, they are assets of the Canadian National Railway system.

Sir HENRY DRAYTON: In respect of the Central Vermont.

The CHAIRMAN: Assets of the National?

Sir HENRY THORNTON: Let Mr. Henry explain it.

Mr. HENRY: They are assets of the Canadian National Railway system, but they do not include the entire assets of the Central Vermont. In other words, the investment in road and equipment is not in there.

Sir HENRY DRAYTON: That is so.

Mr. HENRY: There are no current assets or liabilities or anything of that sort in items of that character.

The CHAIRMAN: You mean, they are assets showing the indebtedness of the Central Vermont to the Canadian National Railways?

Mr. HENRY: Yes, that is correct and they are properly included in the balance sheet.

Sir HENRY DRAYTON: The only thing that puzzles one is the caption: "Excluding the Central Vermont Railway."

Mr. HENRY: That is so far as the balance sheet is concerned, it means that this is the balance sheet of the Canadian National Railway system, excluding the Central Vermont.

Sir HENRY DRAYTON: So long as we know that these items refer to the items shown on page 38.

The CHAIRMAN: Well, it is clear now.

Sir HENRY DRAYTON: Yes, it is clear now.

The CHAIRMAN: Is there anything further on the balance sheet?

Sir HENRY DRAYTON: We have not had any information as to the balance sheet for other unadjusted debits. What does that really mean?

Sir HENRY THORNTON: Have you the details of that, Mr. Cooper?

Mr. COOPER: In a general way, they are debit accounts not classifiable to any of the preceding accounts and which cannot be allocated to a final account until we have received additional information. They are more in the nature of suspense accounts. Materials in transit; Revenue in transit; Agents outstanding accounts; Ballasting track; and so on. Items of that nature.

Sir HENRY DRAYTON: These debits you have here are system debits?

Mr. COOPER: Yes, sir.

Sir HENRY DRAYTON: I suppose they are really liabilities, are they?

Mr. COOPER: No, I don't think so. They are operating suspense accounts.

Sir HENRY DRAYTON: But I ask you whether the debit there is a debit of the system or not? I thought you said it was. If it is the debit of the other man, all right.

The CHAIRMAN: It must be a debit of the other man, or else it could not be an asset of the National Railway.

Sir HENRY DRAYTON: That is what is puzzling me.

Sir HENRY THORNTON: They are debits of material in transit, they have not been paid for?

Mr. COOPER: It is material moving from one part of the railway to another. One superintendent charges it to "Materials in Transit Account," and it would stay in that account until the receiving superintendent receives it and gives the agent a credit for it.

Sir HENRY DRAYTON: Is this on the company's movement?

Mr. COOPER: Material in transit is, yes.

The CHAIRMAN: It is the property of the company or else it could not be an asset.

Mr. COOPER: As far as that material is concerned, yes.

Sir HENRY DRAYTON: It is payable by whom?

Mr. COOPER: It is the company's material. It is not payable to anybody.

Sir HENRY DRAYTON: Then it is really an unadjusted account between the different divisions?

Mr. COOPER: Yes, sir.

Sir HENRY THORNTON: Floating items of account that have not been adjusted I take it.

Sir HENRY DRAYTON: Between different divisions. It does not add anything to the assets.

Sir HENRY THORNTON: No, it cannot.

The CHAIRMAN: That completes the assets. Do you want to discuss the liabilities?

Sir HENRY DRAYTON: "Unadjusted credits: tax liabilities."

The CHAIRMAN: What number is that?

Sir HENRY DRAYTON: 771.

The CHAIRMAN: What number is that?

Sir HENRY DRAYTON: That is No. 771.

The CHAIRMAN: Are these in dispute with the municipalities, or things of that sort?

Mr. COOPER: No; that is the amount accrued at the date of the balance sheet, which has not been paid.

Major BELL: Some of them were in dispute.

Sir HENRY DRAYTON: That was absolutely a matter of unadjusted credits.

Mr. COOPER: It is an accrued liability, Sir Henry.

The CHAIRMAN: Accrued and unpaid.

Sir HENRY DRAYTON: That is quite different to the item of unadjusted credits, under the same heading.

Sir HENRY THORNTON: That is real money.

The CHAIRMAN: Is there anything further there?

Mr. STEWART (Humboldt): An accrued tax liability would occur in cases where the amount was in dispute?

Sir HENRY THORNTON: No, not necessarily.

The CHAIRMAN: We have to make a charge for it in anticipation of its payment. It is like accrued interest at the end of a period; you have to take it into consideration.

Major BELL: The proportion for that period.

Mr. STEWART (Humboldt): The principal date corresponds with the railroad year?

Mr. COOPER: Not necessarily. In the State of Michigan they do not pay the 1924 taxes until about May of 1925, and many of the other States do the same thing.

The CHAIRMAN: In Ontario at least I think the tax payments are not made at the end of the calendar year; they vary all over the Province.

Sir HENRY DRAYTON: The explanation is perfectly satisfactory. The only thing that misleads one at first is, when it comes under the heading of Unadjusted Credits. It is really an accrued liability yet unpaid.

The CHAIRMAN: That is right. Is there anything further there?

Mr. STEWART (Humboldt): Despite what has been said, I am of the opinion that there is an item of taxes that is in dispute, whether paid or unpaid.

Sir HENRY THORNTON: That is quite true.

Sir HENRY DRAYTON: That is in Manitoba. At least I take it that that is over and above this.

The CHAIRMAN: Are you treating the amount that is in dispute as a contingent liability?

Mr. COOPER: I do not think we have set up the full liability, but a considerable part of it. The amount claimed by the province is not admitted by the railway company, naturally.

Major BELL: You have set up what you think you have to pay.

Mr. COOPER: Yes.

Sir HENRY DRAYTON: Perhaps you have set up what you think you should pay?

Sir HENRY THORNTON: There may not be much difference, Sir Henry?

Sir HENRY DRAYTON: There always is; there are always two sides to every question. Every municipality wants to get every cent, and they probably will, too.

The CHAIRMAN: Well, gentlemen, are you ready to go on with the estimates?

Sir HENRY DRAYTON: There is another question I wanted to know something about, Mr. Chairman, that is, the supplemental vote we had this year of \$7,500,000.

The CHAIRMAN: That is all cut out, I believe.

Sir HENRY DRAYTON: For the expenses of the past year, 1924. As you know, Mr. Chairman, these things have to be submitted in that way; they are parts, they are supplements of the year previous, because they really are expenses coming under the year previous, and can apply under the rules only to payments under the Governor General's warrant, or commitments actually incurred.

The CHAIRMAN: That is the item the Honourable Mr. Graham said would be cut out altogether.

Sir HENRY DRAYTON: That is what I wanted to find out, whether it was according to the supplements filed, whether it was under the rules of the House or not.

The CHAIRMAN: What was it for?

Sir HENRY DRAYTON: It was an estimate of \$7,500,000 for work done or commitments made in 1924. I would like to know what it was for.

Sir HENRY THORNTON: Do you want to explain that, Major Bell?

Major BELL: The railway made up an estimate ahead of time, of what they expected to spend during the year, of every nature, and after they had made that up they estimated that they would be \$7,500,000 short, but when the accounts were actually closed they found that their estimate was out, and that they could get along without the \$7,500,000.

Sir HENRY DRAYTON: I think it will be found that there are items which cover that \$7,500,000.

Major BELL: That there are items, did you say?

Sir HENRY DRAYTON: Yes.

Major BELL: In what way do you mean?

Sir HENRY DRAYTON: Details covering \$7,500,000.

Sir HENRY THORNTON: Sir Henry wants to know in detail how the seven and a half million was made up.

Major BELL: We can get that in a few minutes.

The CHAIRMAN: Are there any other questions we might go on with in the meantime?

Sir HENRY THORNTON: I think we have it now.

The CHAIRMAN: Do you want to read it, or have it in the record?

Sir HENRY THORNTON: We have the details of that, Major Bell.

Major BELL: I think this answers Sir Henry's question. (Produces statement.)

The CHAIRMAN: Are there any other questions any other members wish to ask? Does that seem satisfactory, Sir Henry?

Sir HENRY DRAYTON: I daresay it may be. Let it go in the meantime, until I have a chance to study it. I don't know that we need bother putting it even into the record.

The CHAIRMAN: Any other questions?

Sir HENRY DRAYTON: I think it would save a great deal of time if we had an exact apportionment of these estimates.

The CHAIRMAN: We might have a motion for the passing of the recommendation in the House, then we could debate it, if someone would care to move it.

Mr. MACKINNON: I have a resolution here, Mr. Chairman, which I will move.

Moved by Mr. Mackinnon:—

That the following be incorporated in a report to the House, viz:—

Your Committee had referred to them Item No. 377 of the Estimates for 1925-26, namely, "Loans to Canadian National Railway Company, \$60,000,000."

During their sittings, your Committee have been advised by the officials of the railway that this item was prepared in the earlier part of the year, but since then the estimates have been revised by them and they are now of the opinion that only \$50,000,000 will be required.

The details covering this item have been discussed by the Committee and approved.

Your Committee therefore recommend to the Government the desirability of reducing this estimate by the said sum of \$10,000,000.

The CHAIRMAN: We can debate it after that, I suppose?

Sir HENRY DRAYTON: My suggestion is that we can save a great deal of time if we could have the total for betterments, equipment, interest, and the rest of it, as to how the estimate submitted at \$60,000,000 is made up and how the reduced estimate is made up. We can then see exactly where economies are being made, and see the whole situation, and may be we can get along without any questions at all.

The CHAIRMAN: Is that satisfactory?

Sir HENRY DRAYTON: I think that will save time.

Major BELL: To put it in another form, Sir Henry, you want details of the \$60,000,000 and the details of the \$10,000,000 cut off?

Sir HENRY DRAYTON: Yes. That, I think, will save a great deal of time, and at the same time give us full information.

The CHAIRMAN: Subject to that, are the members of the Committee ready to debate it?

Sir HENRY DRAYTON: We should see that first, Mr. Chairman, should we not? Let us go along with the Canadian Government Merchant Marine in the meantime. I think we have finished with the railways, except a discussion upon these points which have just been brought up.

The CHAIRMAN: Any other questions any other members desire to ask, before we pass on? Shall we consider this as completed, with the exception of this extra information?

Sir HENRY THORNTON: Just one second, Mr. Chairman. The budget generally divides itself into two separate parts: first, the net total financial requirements, which include interest on funded debt, sinking fund payments, and items of that character, less of course the resources which are anticipated for the year, and a second item, which includes new equipment, additions, betterments, and things of that character which are clearly additions and betterments to the

property. Now, I can give you at once the reductions which were made in those general items.

Sir HENRY DRAYTON: I think if we had a clear statement in detail it would save the Committee a lot of time.

The CHAIRMAN: What is the pleasure of the Committee in regard to that?

Mr. JELLIFF: I think we ought to have a statement outlining about how much they need for each purpose.

The CHAIRMAN: A sort of detailed statement as to what the \$60,000,000 was asked for, and what the reduction of \$10,000,000 consisted of.

The CHAIRMAN: Sir Henry Thornton will get a statement out, according to his own good judgment.

Sir HENRY THORNTON: Yes, as Sir Henry Drayton wants it; he can then show it to the Committee, and if he then wants it spread upon the minutes we can do so.

Mr. JELLIFF: Or it might be given to us in camera.

The CHAIRMAN: That completes the railways for the time being at least. We can now go on with the Canadian Government Merchant Marine. Shall we proceed in the usual way, and have a general statement first from Sir Henry Thornton? If that is your wish, Sir Henry will make a preliminary statement.

Sir HENRY THORNTON: Mr. Chairman and Gentlemen of the Committee: There is not a great deal to be said, except that the gross revenue was reduced by approximately \$181,000 and the operating expenses were reduced by \$604,000, or nearly \$605,000 and the deficit from operation was reduced \$423,000. After other charges have been taken into account, the deficit, including interest charges, depreciation, and so forth, has been reduced by \$532,000. If you wish we can go on and consider the details.

Sir HENRY DRAYTON: We have not very much in the way of details either. There are one or two large general questions we were very much interested in last year. One thing I am quite sure the farming community is interested in more than anything else is the question of the shipment of chilled meats.

Sir HENRY THORNTON: I think Mr. Teakle had better talk about the chilled beef question. I would like to remind Mr. Teakle that last year the Committee touched upon the advantages of making an effort to secure greater chilled meat shipments, on the theory that it is better and cheaper all around to haul chilled cargoes than cattle on the hoof.

Mr. R. B. TEAKLE: Mr. Chairman, Gentlemen of the Committee, and Sir Henry Thornton: I was not here when you sat in Committee last year, and so far as the question of chilled meats is concerned, we have not come up against that situation. I mean by that the services we are operating to the United Kingdom are really a very small percentage of the transport system between Canada and the United Kingdom. We have three ships that are sailing of Montreal to Cardiff and Swansea, with refrigerator accommodation capable of taking care of chilled shipments. We would have to put in some hooks, and possibly some racks, but my understanding of the chilled business is this—I may be wrong—that a number of the ships sailing out of Montreal are in a position to take care of any chilled business that may be available. I also understand that they are not getting their full placements, that is to say, all their space is not taken up.

Sir HENRY DRAYTON: That is quite true, Mr. Teakle; that is absolutely true. But there is a reason why that should be. The rate on chilled meat is \$1.50, if I remember rightly.

Mr. TEAKLE: I think that is reduced to \$1.15 to-day, Sir Henry.

Sir HENRY DRAYTON: No, \$1.50 is the rate on chilled beef. We have the same rate as if we got it from the Argentine. What is the Argentine rate on chilled beef? That is a factor we have to consider. It is the competition of the Argentine that we have to meet. My recollection is that they have a 30-day trip from the Argentine as against our average of a 12-day trip going over and nearly that much coming back. I know that the quantity is not there, and I do not think it will ever get there until something is done to get a concerted movement among the people interested in the business. There will never be a concerted movement unless somebody takes the initiative. We thought last year that the Government Lines might well take the initiative. The initiative really means this, so far as the steamship companies are concerned; first to get a realization of the importance of the business, and in the second instance a clear and definite statement as to what can be done, assuming full lots and a regular supply. I know very well that when you are obtaining fairly expensive refrigerator space and only filling it 10 to 20 per cent you cannot put in a proper rate. That is really the basis of the \$1.50 rate today; the real basis of the \$1.50 rate is the fact that your refrigerator space is only filled two months in a year to anything like full capacity. What the company I think can well do is, just give us the lowest possible rate that can be put in, assuming that arrangements can be made for the absolute contracting of that space. We will never get the movement, and we will never get the business, until we get to that point. My own view is that a tremendous cut can be made, provided—and this is a matter of business—that that space is taken either actually or under contract. I know that the packers say they never can get the quantity at these prices. The farmers say the same thing. But there is tremendous opportunity here for doing something in the real interests of agriculture and of this country, looking towards a co-operative movement, with the steamship companies on the one side, the packers and the farmers on the other, under which full maximum sailings can be given. We have the absurdity of boats going all the way from New Zealand to England at the same rate which you are charging from Canada, and the reason they can do that is, as shown by the evidence before the Ocean Rates Committee, that the whole of their space is contracted for, so that the maximum loading is made and the minimum return is earned in each case, and the absolutely minimum rate can be put in. Now, those are the lines upon which we discussed this matter last year.

Sir HENRY THORNTON: What happened was this. We made an investigation of the position and it was revealed, as Mr. Teagle has explained, that there already was unabsorbed cargo space for chilled meat shipments. I am not discussing the question of rates now; I am discussing the question of capacity. We also had cargo space that could easily be equipped and put in shape for the handling of chilled meat. That space was not absorbed. There apparently was not shipped sufficient chilled meat products to absorb the already existing cargo capacity, therefore, the only other thing that could be done would have been to have made at once a material reduction in the rate. That, in turn, would unquestionably have been met at once by the existing steamship companies, and it was a question in our minds whether, in the last analysis, we would have been any better off than when we started.

Sir HENRY DRAYTON: Sir Henry (Thornton), you are looking at it entirely from the viewpoint of the carriers. I was venturing to think we might look upon this a little more broadly; I was venturing to think it might be worth while to take this up with a view of combined freight. If these different conferences are to be of any use at all they ought to be of use, not only for the purpose of the rate structure from the companies' standpoint, but they certainly ought to be of use in getting a general arrangement and agreement under which we can go into the chilled meat business. I was not thinking that the Canadian Merchant Marine would do it all; I know they could not, but I did think they would make a start.

Sir HENRY THORNTON: I do not remember that the discussion last year went quite this far; perhaps it did—I am only speaking from memory now: but is it your thought that the Canadian Merchant Marine should endeavour to provoke some co-operative movement on the part of the shippers on the one hand—which is to say, the producers, the farmers and the packing-house people—and say to them, “Here, if you gentlemen who are producers of raw material and the finished products of chilled meat, will co-operate with us, we, in turn, will name such a rate as we may agree upon, and which will be sufficient protection to you to provoke the production of shipments of chilled meat.”

Sir HENRY DRAYTON: Certainly, and I think the company can do it off its own.

Sir HENRY THORNTON: I think there is a great deal of merit in that. I do not remember how far the discussion last year went, but in view of a good many things which have happened in the meanwhile, and the general state of the shipping rates on the North Atlantic, I should feel that was a venture upon which the Merchant Marine could very properly and advantageously embark, but it will at once provoke, probably, a general rate war. Whether that is worth while bothering about, I do not know.

Sir HENRY DRAYTON: In a case like that you are doing something not only for the interests of yourselves, but for the interests of the country. I cannot imagine there will be a great rate war, but if anyone wants to make a rate war over the fact that the Canadian farmer wants to get his products to England at as low a rate as possible, let us have a rate war.

Sir HENRY THORNTON: There is nothing I should enjoy so much as a rate war based on such a theory, because I think we would win.

Sir HENRY DRAYTON: We have your figures as to the cost of carrying cattle last year. Mr. Doherty has been before the Committee, and has corroborated these figures. It is no more—as I recollect his evidence—than it was last year. On his statement, the Merchant Marine are losing money by handling cattle. Now, the cattle rate is \$20; five chilled carcasses, as I recollect it—and Mr. Teakle will correct me if I am wrong—can go into the space occupied by one steer, on which to-day you are losing money, and a lot of it, and you never can get it on the basis of \$1.50. Mr. Teakle, what do the steers dress now, on the average?

Mr. TEAKLE: In weight, Sir Henry (Drayton)?

Sir HENRY DRAYTON: Yes.

Mr. TEAKLE: They run to all sizes; the ordinary cattle will run about 1,100; stockers from 700 to 800, and heavier cattle from 1,100 to 1,200.

Sir HENRY DRAYTON: Supposing we take 1,000 pounds as the average?

Mr. DOHERTY: You are making a comparison, Sir Henry (Drayton), between chilled carcasses and the space occupied by a live beast. Now, of course, our cattle on the hoof are carried in certain spaces, whereas in our own particular steamers, our refrigerated space is limited to a capacity of approximately 10,500 cubic feet.

Sir HENRY DRAYTON: I realize all that.

Mr. DOHERTY: I was trying to get to the point of what would be the advantage of a comparison as between the space occupied by a live animal and that occupied by five carcasses.

The CHAIRMAN: You say it is not fair to make a comparison of five to one?

Mr. DOHERTY: I do not say it is not fair, but I am trying to gather what the merits of a comparison would be from the point of view of the steamer.

The CHAIRMAN: What would you say would be a fair comparison?

Sir HENRY DRAYTON: Let me draw the actual facts, as I see them, to your attention. In connection with the space for live steers, you have not only to look after them, but, as the evidence showed last year, you have to have a large amount of space for fodder, and also for looking after the attendants. That is a weight of our cost in connection with the steers. On the other hand, I admit at once that there is weighting of our costs for refrigeration. No question about that. But, admitting all that, the comparison is absolutely correct, because you are losing money and a lot of money, as you show yourselves, on the steer business. It is merely a matter of turning this other space into refrigerator space, and getting more refrigerator space. Supposing you could do that—and they are doing it in New Zealand, Mr. Doherty—supposing you could put in a great big refrigerator space in every one of your steamers, and supposing you knew you could get the assurance that the space was sold, you could put in a rate which would be but a fraction of the rate you have to-day.

The CHAIRMAN: Do you think you could get that assurance,—that the space would be sold?

Sir HENRY DRAYTON: I do not know why we could not. The information I have from England is that the Canadian chilled beef sells slightly better than the Argentine—not very much, but slightly better. We have never done it long enough and regularly enough to really get a market at all. I feel so strongly on this point, Mr. Chairman, that I think one of the best things this or any other government could do would be to take hold of this, working in co-operation with the packers, the farmers, and the transportation companies, to bring about a result which would insure full maximum loadings, of an agreed-upon refrigerator space, which would enable prices to be very, very materially cut.

The CHAIRMAN: What I was trying to get at, Sir Henry (Drayton), was that it might be worth while to make the change, but—and this is very material—after you have made the change, have you any reasonable assurance that you would be carrying chilled meat to the maximum capacity of these steamers?

Sir HENRY DRAYTON: I know one of the large packing houses here says they have had to give it up.

The CHAIRMAN: Because there was not the space available?

Sir HENRY DRAYTON: No, no; there is lots of space available.

Sir HENRY THORNTON: It was the rate.

Sir HENRY DRAYTON: Because the rates were such that there is not enough in it for the farmer. It is the same as the butter rate. Just imagine a rate on chilled meat the same as the butter rate.

The CHAIRMAN: Is it your suggestion that if these alterations were made, in addition to serving a national purpose by way of developing that industry, and being of benefit to the farmers generally, you could do it at a lesser price?

Sir HENRY DRAYTON: Yes; imagine steamship companies doing it from New Zealand at the same price, with their much greater distance.

The CHAIRMAN: Do you think our boats are adapted for that purpose?

Sir HENRY DRAYTON: Yes, so long as you have them refrigerated.

The CHAIRMAN: Have you any idea what it would cost to equip them?

Sir HENRY DRAYTON: It would cost some money; no question about that.

The CHAIRMAN: In view of the possibility—and I say “possibility”—that these boats may be disposed of, would it be worth while?

Sir HENRY DRAYTON: Our boats?

The CHAIRMAN: Yes; I am saying “the possibility”.

Sir HENRY DRAYTON: I would certainly go ahead and see what could be done. I think the thing is of absolute national importance, and I am sure we can get earnings out of it.

The CHAIRMAN: Have you seriously considered it, Sir Henry (Thornton), or Mr. Teakle?

Sir HENRY THORNTON: Not in any argumentative way, or desiring to be contentious, but for the purpose of eliciting information, perhaps Mr. Doherty might tell us what he knows about that aspect, and tell the Committee what the effect of reduced rates would be with the equipment of our boats, for chilled meat shipments.

Mr. DOHERTY: What I wanted to say, in the first place, was that while we touched on this particular point a year ago, as far as our own steamers are concerned, we have not been approached by any of the packers with the request that we might give them a better rate for carcasses with a hope of improving the possibilities of their doing business in the United Kingdom on the basis of shipments in carcass form. Now, it seems to me, in thinking over the situation, particularly since it has been brought up again, that if the business was there, if the shippers actually felt that they could ship through that medium, that we might have heard more from them, and while I must agree with a lot that Sir Henry Drayton has said with regard to the desirability of working out such a situation from the steamship standpoint, it seems to me if the shippers are so keenly interested and see the possibilities of developing the trade in chilled meats, that they should tell us what they have in mind. From our own standpoint, I am perfectly satisfied our management would then be delighted to co-operate in every way.

The CHAIRMAN: What would it cost to equip one boat that way?

Mr. DOHERTY: That is a question I cannot answer, Mr. Chairman; that would be something for our management to say.

The CHAIRMAN: Could you tell approximately?

Mr. TEAKLE: No, because you are going into refrigeration, and you would have to get a specification, and get your engineers on it.

The CHAIRMAN: I was wondering if it would be worth while to experiment on one or two boats?

Mr. TEAKLE: We could get that information.

The CHAIRMAN: Would it cost \$50,000 or \$100,000?

Mr. TEAKLE: More than that.

Sir HENRY THORNTON: A quarter of a million.

Mr. TEAKLE: In some of our ships we have 10,500 cubic feet, and in the larger ones as much as 12,500 cubic feet, practically taking up a 'tween-deck.

The CHAIRMAN: You have only one?

Mr. TEAKLE: We have 13 now.

The CHAIRMAN: You know what they cost?

Mr. TEAKLE: No, but we could get that information and work it out.

Sir HENRY THORNTON: Mr. Doherty, could your statement be summed up in this way; that you do not think there will be enough business offered to justify increasing the proportion of chilled meat space, even if you did it; is that what you were getting at?

Mr. DOHERTY: Yes, but I was going to put it this way, Mr. Chairman—

Sir HENRY THORNTON: May be we will not do it anyway, but I wanted to get your opinion.

Mr. DOHERTY: I am speaking now of the activities of the ships. If the business is to be done, and it can be done, then we should have some evidence

of that business. As far as I have heard, the obstacle seems to be the freight rate. If the obstacle is the freight rate, we, the Canadian Government Merchant Marine, have not been approached by the shippers.

Sir HENRY DRAYTON: Mr. Doherty, is not that the same situation as with the butter rate? I followed your evidence closely, and I agreed with you. You have a rate on butter which on service, looking at it in comparison with the New Zealand rate, is a high rate. But, could you answer it this way: we have a great shortage of use for our refrigerator space; it is an expensive thing to put in; we are only getting use of that practically in the very hot weather; during the rest of the time the trade will take the chance of ordinary stowage, and do not ask for refrigeration. As a result, we have got to carry that refrigerator space the whole year, but we are practically only making proper earnings on it for two months. That was the effect of your evidence. I admit at once that the same situation is here in connection with chilled meat. Your chilled beef movements, being sporadic, and very light, there has been nothing whatever in the past to justify the company doing anything. I recognize that. I thought we were going to have a mission started last year; however, see if we cannot get it started now. I recognize fully that so far as past loadings of chilled beef are concerned, owing to the paucity of the movements, you have not made money at \$1.50.

Mr. DOHERTY: We have not carried any, sir.

Sir HENRY DRAYTON: Some have carried it very little, and they have realized, and properly realized, that the only way to get rates down is to provide a proper business basis, and they arrange so that all space is contracted for. What I want to get at is, from a steamship manager who will approach this matter in a sympathetic way—and it has got to be so approached—and the thing has got to be settled sooner or later—what he could afford to get this rate to on the assumption that the whole of that space will be contracted for just as it is in New Zealand; paid for whether it is taken or not. If it is put in that way you can depend you are going to get your loadings.

The CHAIRMAN: Would it be possible to get any advance information on that? Supposing they suggested a lower rate and approached the trade, if there is an established trade in that connection, could you get any assurance at all that you would get the loadings?

Mr. DOHERTY: I was going to suggest, Mr. Chairman, that if the shippers are serious and see the possibilities, let them come to us and let us see the possibilities.

Sir HENRY THORNTON: I think you will have to go to them.

The CHAIRMAN: They may not have been watching the deliberations of this Committee.

Mr. MILNE: I can hardly understand the gentleman making a statement to that effect. For the last three years, we, here in Ottawa, have been making every possible effort to reduce the rate on cattle or beef going to the Old Country. It seems to me that if they had to provide refrigeration space it would be a different proposition, but I understand there is considerable refrigeration space on these boats that is not being used at this time.

Sir HENRY THORNTON: If Sir Henry is serious, that is a question of rates. That is to say, if the rates were sufficiently reduced, it would provoke the business.

Mr. MILNE: I am of the opinion that as long as the rates deter the farmers in the business, they will never produce the beef; but if the rates are lowered to something that looks feasible, then I am quite satisfied the beef will come.

The CHAIRMAN: Would not this be a more reasonable suggestion, Sir Henry? If you have already some of your boats equipped with up to date refrigeration appliances, try a reduction in rates of what you have already, without equipping others.

Sir HENRY THORNTON: That is exactly what I had in my own mind. It would of course be very helpful, in general relations with other shipping companies from whom we derive a fair amount of business, if those reduced rates were put in as the considered opinion of this Committee. You get my point? You easily see the strategy involved. Now probably that would be as good a way to make the experiment as any. To say that we will first endeavour to secure or excite a co-operative movement as between the shipper on the one hand—and by shippers I mean producers and manufacturers of chilled beef—and ourselves on the other; and name a rate to them, providing it is something within reason of course, we cannot haul it for nothing, but name a rate to them which would promote this traffic and stimulate it. Try that with what we have got now, and if that offers sufficient promise to justify the provision of more space for chilled meat, then I take it that this Committee would be prepared to endorse any recommendation for expenditure for that purpose.

Sir HENRY DRAYTON: Absolutely, so far as I am concerned, Sir Henry. I think that is very reasonable; but I think we have to go further; I think we have got to have volume and continuity.

Sir HENRY THORNTON: Precisely.

Sir HENRY DRAYTON: You cannot work up any business in the Smithfield Market, or any English market, unless you have volume and continuity. You never will get the proper prices until you get the people educated in the first instance. The English butcher is accustomed to handle his stuff in his own way.

Sir HENRY THORNTON: And he much prefers the home killed stuff.

Sir HENRY DRAYTON: Yes, he likes the home killed stuff. He gets that in fresh and he conditions his meat there in a way that I do not think they do in any other country. It is always hung until he thinks it is fit to eat, properly tender. Now my idea goes back, beyond what you are suggesting. I think that we ought to have a co-operative movement, and I think this Committee ought to recommend it to the Government, which will put the English butcher not in the position of taking frozen meat, which of course he never should want, which always works a deterioration, as you know, in the meat, but we should put him in this position, that when he buys the Canadian chilled carcasses, he knows that he is getting a beast that has already been conditioned a certain number of days, just as he would condition it, so that he is really getting something that is just that much better, in so far as he is concerned, than if he buys a beast in the home market. Now we do to-day, as you know, have our inspectors in the abattoirs. They look after different things; the health of the animal, and the like, and it would be very easy without any cost to add another duty to their duties, and that would be a tag which would show the date of killing of the beast, the temperature of the cool room in which it is put. That can again easily be covered, because we have inspectors along the lines, with the refrigeration.

Sir HENRY THORNTON: That is simple.

Sir HENRY DRAYTON: Most simple. That same tag could show the exact temperatures that carcass has been subjected to on its rail movement, and we could do the same thing on board ship, with a proper refrigerating plant. And I would go further, in order to get this thing going I think the Committee might very well recommend the Government to take hold of this thing along the lines I have given, as to the killing of the beast, so that the English purchaser will know it is in the proper condition; I would go further and say we should have

a first rate Canadian shop, where nothing will be handled except Canadian stuff, and where the English people will be shown and taught that we can put something on that market just as good as anything they can buy anywhere else.

The CHAIRMAN: In connection with that, how many boats have you already equipped with refrigerating plants?

Mr. TEAKLE: On the Atlantic we have three, sir.

The CHAIRMAN: Do you consider that sufficient to keep up what Sir Henry describes as continuity in supplying this meat to the English market?

Mr. TEAKLE: No, I do not, sir.

Mr. JELLIFF: Mr. Chairman, would not the construction of our merchant marine boats lend itself more easily to changes of this kind, for chilled beef transportation, than they do for transporting animals on the boat? I think the impression prevails in parts of the West that our merchant marine ships are not adapted to carrying live cattle.

Mr. TEAKLE: Not strictly as cattle ships. That is quite right, Mr. Chairman.

Mr. JELLIFF: I saw a letter a short time ago from a man who was at one time Live Stock Commissioner for Alberta. He is now engaged in working up a Provincial Live Stock pool. And there is something I would like taken into consideration, Sir Henry, that these Live Stock pools are forming all over the West and that a co-operative movement as between the producers through these pools, and yourself, would not be so very hard to work up. Here are some of the questions that were asked in the letter that I saw from this party I mentioned. He asks: Are the government boats too short for proper conveyance of cattle? The idea out in the West was that those boats were too short and there was too much rocking and the cattle were injured.

Sir HENRY THORNTON: Do you want an answer as the questions are put?

Mr. JELLIFF: Yes.

Sir HENRY THORNTON: Are they too short?

Mr. TEAKLE: No, sir.

Mr. JELLIFF: I wanted to bring out the point whether we could better adapt these boats, and at approximately the same expense for chilled beef traffic, as we can for live stock.

Mr. TEAKLE: The first question, as I understand it, is the length of the ship. I remember—going back a number of years ago, when the ships were smaller—we carried a great many more cattle. As a matter of fact, cattle, as we describe it, are the best sailors; they stand the voyage better than horses or sheep. The difficulty with our ships is this: we put the cattle on what are known as the fore and after wells, and in the under-bridge deck. The fore and after wells we have fitted up with fairly permanent fittings, so that the cattle are absolutely comfortable and as safe as we can make them under those conditions. The real difficulty with us is that our hatches do not comply with the regulations; they are 3 feet 4 inches, as against the regulation 18 inches; so that we lose that space. Our difficulty is in carrying cattle, that we do not get the full benefit of our deck and in that respect we are a small factor in the cattle business.

Sir HENRY DRAYTON: You can only load 233?

Mr. TEAKLE: 233 fat cattle.

Sir HENRY THORNTON: That is the answer to the question about the shortness of the ship?

Mr. JELLIFF: They say the boat is so short and pitches so much that the cattle are injured.

Mr. TEAKLE: There is nothing in that.

The CHAIRMAN: Nothing in that. What is the next question?

Mr. JELLIFF: I am trying to remove some impressions that exist out there and I think it is important that they should be removed, so that there will be nothing against you getting the traffic in cattle that you should get. Then he asked the question: Do our boats lack the decks for the suitable housing of the cattle; whether temporary decks have to be constructed for that purpose.

Mr. TEAKLE: My first answer will cover that, Mr. Chairman, as to the fore and after well decks. The under-bridge space of course, is a permanent part of the ship's structure, that we would carry general cargo in if we did not utilize it at the present time for cattle. Some of the cattle ships are constructed to carry cattle on what we call the main deck—or perhaps I might explain to the Committee, the exposed or top deck. Our ships are not so constructed, and if I might venture a personal opinion, I would not recommend it.

The CHAIRMAN: Is the speed of the ship a factor in the situation?

Mr. TEAKLE: I do not think so, Mr. Chairman.

Sir HENRY DRAYTON: We have the average speed.

Sir HENRY THORNTON: Our ships are fast enough.

Sir HENRY DRAYTON: They are fast enough for this trade. The faster they are the more expensive they are.

Mr. JELLIFF: What about these Petersen boats? Would their facilities be improved over the Canadian Government Merchant Marine?

Mr. TEAKLE: Mr. Chairman, that is a question we cannot answer.

Sir HENRY DRAYTON: That would have to be answered on a special occasion. As a matter of fact, the only difference, as I remember it, is that Mr. Petersen's ships have not 'tween decks, as we have. They have a spar deck or shelter deck.

Mr. JELLIFF: The thing I wanted to lay emphasis on is, that there is quite a feeling out in the West that our boats are not permanently constructed to carry cattle, and I think that ought to be removed if it is not correct.

The CHAIRMAN: Is it true, Mr. Teakle, that they are not properly constructed in this way, that they do not seem to be able to carry the large number of cattle that you should be able to carry for the size of the boat?

Mr. TEAKLE: If I may put it in this way: our ships are what we call a typical freight ship, but not a cattle carrying vessel. I mean by that, that ships specifically constructed for carrying cattle have usually a shelter deck, with all the obstructions removed from the deck, such as the winches and booms, so that you have free access and your cattlemen can go to and fro. Likewise in the lower deck, or 'tween decks, as we call them, there is the same free access. Now to overcome the difficulty, and to help out in the cattle trade, we fitted these temporary fittings, which to a degree answer the shelter deck, only that we cannot remove the obstructions, the winches and so on, so that we cannot utilize all that space in our lower deck. There is a steel bulkhead in each hold which it would be necessary to interfere with. Personally, as I said a moment ago, I would not recommend that.

Sir HENRY DRAYTON: I think that is quite right. I think the merchant marine have gone practically as far as they can, following the evidence, in connection with the boats they have, in connection with that trade. What was done was this, Mr. Chairman. In the first instance, light temporary fittings were put in. I think there was one shipment where there was trouble.

Mr. TEAKLE: Yes, Mr. Chairman, we struck an extraordinary gale for two days.

Sir HENRY DRAYTON: After that there was some difficulty with the marine in the winter time. And after that the company put in what was described as fairly permanent as anything you can add to a boat, I would think, equipment for stalls and the like. I think we have spent \$7,000 on that work. Spending that money puts them in exactly the same position as the other boats, except they could not carry as many.

In other words, these boats can be equipped just as well for carrying cattle as any general cargo boat presumably could be equipped. The only thing that is better than that is the boat that is built exclusively for that trade.

The CHAIRMAN: In competition then with boats that are properly fitted out and perhaps built in the first place for carrying cattle, can you do a profitable business in competition with them under these conditions?

Mr. TEAKLE: I have no means of knowing, Mr. Chairman, what the results of their voyages are. We can only know our own voyage. But as we have submitted to the Committee, our net result in the carrying of cattle is very small.

The CHAIRMAN: Probably a loss?

Mr. TEAKLE: Well, we figure, as I remember, something like \$2.52 a head.

The CHAIRMAN: Following that up, would you be more likely to have profitable returns if instead of carrying cattle as you do now at a loss, you put in refrigerating appliances and so on to carry chilled beef, if the business could be developed?

Mr. TEAKLE: That is an arithmetical problem. We would have to get the cost of putting in the fittings, and to count your loss of space, putting in accommodation for chilled beef, in cold storage space you lose about 20 per cent of your ordinary storage on account of the installation.

The CHAIRMAN: Would you lose as much space, relatively speaking, in putting in cold storage facilities, as you do now in carrying cattle? Would there be more conservation of space in putting in the cold storage facilities, than in the other?

Mr. TEAKLE: Not in our business, because we are carrying the cattle on a space now open, which we close in. For refrigerator space you would have to go under the weather deck and in the 'tween decks.

Sir HENRY DRAYTON: Are you not overlooking a very important point there?

Mr. TEAKLE: Perhaps I do not get the point.

Sir HENRY DRAYTON: You say that space would be no good anyway, but you have loaded deals in that space and the evidence shows you would make more money out of the space.

Mr. TEAKLE: I did not mean it that way, Mr. Chairman. I meant that in arranging for your chilled meat space, you are going into the permanent construction of the ship.

Sir HENRY THORNTON: If I might make a suggestion, if we could answer Mr. Jelliff's questions, and get that out of the way, and then come back to the main theory proposed by Sir Henry Drayton, as to what our policy should be with respect to chilled beef. We have answered two of his questions; is there another?

Mr. JELLIFF: I am quite in agreement with what Sir Henry Drayton has said in reference to the chilled meat business. I think, outside of the question we have been discussing, the boats should be arranged for that.

The CHAIRMAN: It is certainly very advisable to go into that, if you can develop an industry and help the farmer, but what I am trying to get at is, whether we will get into something better, whether with these boats we have

we are going to conserve space, whether we can do a more profitable business or not. I would not like this Committee to recommend something to Parliament that will plunge us into a bigger expense more or less blindly.

Mr. MILNE: At the present time, is the rate of \$1.50 a hundred considered to be a profitable rate for refrigerator space?

Mr. DOHERTY: It would be if we were able to fill our refrigerator space.

Sir HENRY DRAYTON: If you can get fifty cents the year round, it is a profitable rate, is it not?

Mr. DOHERTY: That is perhaps going a little too far. I would not like to agree with you, without taking out a few figures.

Sir HENRY DRAYTON: That is quite right. I know you want to be careful, Mr. Doherty.

Sir HENRY THORNTON: Could the Committee agree to one or two recommendations? First, that an intensive co-operative movement should be undertaken, such as has been described, as between the Canadian Government Merchant Marine on the one hand, and the shippers on the other, with such reductions in rates as would excite the movement of the traffic.

Secondly, that we should then endeavour to use to the fullest extent, at those rates, the facilities which we already have.

Thirdly, if we find that a sufficient business has been created to justify the provision of more expense, then this Committee would be prepared to recommend whatever expenditures were necessary to meet that position.

It seems to me those are the three things that we ought to agree upon. I had in mind—and this is only suggestive—that perhaps an appropriation might be left at the disposal of the Board of Directors of the Merchant Marine to be used immediately, during the year, if sufficient business justified spending the money.

Sir HENRY DRAYTON: I think we can get this thing started much easier than is thought; from the attitude of the liners' counsel in the other Committee—which is also considering the same question—I am inclined not only to think, but to be sure, that if the Conference as a whole could get any assurance whatever as to loadings, they would agree to a very greatly reduced rate. I think that very properly Mr. Doherty can take that up and give a report at the next meeting, as to what all the boats would do. Some of those boats already have lots of refrigerator space.

The CHAIRMAN: I was going to ask this question: to what extent does that obtain in other lines?

Sir HENRY DRAYTON: As to refrigerator space, they are doing practically nothing, and I think they would jump at the chance to put their produce in here if they could get a sufficient quantity and a satisfactory rate.

Sir HENRY THORNTON: What you want us to do is, to endeavour to get sufficient assurances of shipments to justify all these transportation and shipping companies which now have space, to give a lower rate?

Sir HENRY DRAYTON: The first thing to do is for all these parties to get together. There should be no real difficulty in this thing, because it is so absolutely to the interest of everybody for everybody to get together, for the companies to get together, upon this basis; assuming that through co-operative effort arranged by the Government we can rely upon a maximum loading regularly in our refrigerator space, for chilled meats, what is the very lowest price we can quote? That is really the essential thing, to start with.

The CHAIRMAN: It seems to me, Sir Henry, that the difficulty is to get the maximum loading, or any assurance of it.

Sir HENRY DRAYTON: If we can only get a figure low enough, that maximum loading will come. The farmers this year are just about as anxious about it as anybody else.

The CHAIRMAN: What do the members of the Committee think about it?

Mr. JELLIFF: I agree with a great deal of what has been said. I think it will induce many of the farmers to send their products in that way. I have rather the feeling that the Canadian National and the Canadian Government Merchant Marine have been trying to undertake this to make the transportation agencies pay, whereas the effort should be to make it pay on behalf of the country as a whole. That is one of the steps we can take to make the live stock interests pay; we can make the Canadian Government Merchant Marine and the Canadian National Railways pay. We have to get back to that basis at the same time.

Sir HENRY THORNTON: Is it the thought of the Committee that this should be a friendly co-operative movement on the part of the shipping interests?

Sir HENRY DRAYTON: I think we can get much farther in that way.

Sir HENRY THORNTON: I think so; although I must say that I am not particularly optimistic as to how the other shipping companies will view such a movement. I am only speaking of what I imagine their position would be; they would say that it was going to disturb shipping rates on the North Atlantic, and that it was going to disturb shipping rates throughout the world, and I do not think they will do it.

The CHAIRMAN: That would be contrary to the policy of the North Atlantic Shipping Conference.

Mr. STORK: How does the present rate from Canada compare with the rate from the Argentine to the English market?

Sir HENRY THORNTON: Mr. Doherty can answer that, I presume.

Mr. DOHERTY: Last year it was \$1.65 from the Argentine.

Mr. STORK: And our rate was \$1.50?

Mr. DOHERTY: I think it is \$1.60.

Mr. STORK: In that event we have an advantage in shipping our stuff over there, if we can do it at a lower rate. Do we have to make a fight to get our beef on the English market?

Sir HENRY THORNTON: Yes; you have to do a certain amount of missionary work with the English consumer. The average Englishman much prefers home-grown beef to the import article. I went through the whole thing during the war, when I was in England. Home-grown meat became very scarce in England, and we had to rely upon chilled and frozen cargoes, and we had a great deal of trouble to get the patrons of our hotels and restaurants in England to eat chilled meat. The people there are fundamentally opposed to it; they prefer home-grown beef. Speaking for myself, I could not see the difference, and I tried both kinds. I tried both of them many times, and I could not see any difference.

At the same time, there were others who claimed they could find a difference, and, as Sir Henry Drayton has pointed out, we will have to do a certain amount of missionary work, unquestionably, to establish the consumption of chilled meat in England.

Mr. STORK: What I had in view was, not to fight to break down the present British prejudice, so much as to fight with the Argentine people for a place in the market. When I was over there last summer, we heard rumours of increased activity on the part of the Argentine people, in that they had added about 1,500 retail butcher shops to their already large string. If the Argentine people are entrenching themselves in the English market, the point I am get-

ting at is, how big a fight have we to put up in that market in order to compete with them?

Sir HENRY THORNTON: You will unquestionably have a competitive fight; it cannot be otherwise.

Mr. STORK: To what extent would we be justified in making provision for a largely increased shipment of chilled beef?

Sir HENRY THORNTON: There is only one way to conduct a fight, and that is to hit a head; whenever you see it, go after it.

The CHAIRMAN: I think there are two problems involved in this question; the first is, some sort of assurance that will make the business reasonably profitable, the next is to go on a campaign in Great Britain to sell our meat.

Mr. STORK: Does that entail opening up butcher shops over there?

Sir HENRY DRAYTON: No. I think we might have one.

Sir HENRY THORNTON: We should get one or two recognized restaurants to push our meats. That does not entail butcher shops all over England.

Mr. MILNE: I suppose we will have to establish some agencies in the old country, and not give it all to the Argentine.

The CHAIRMAN: Have the Argentine people stores there?

Mr. STORK: I believe so.

Sir HENRY THORNTON: The Armour Company have a very well equipped selling organization in England.

The CHAIRMAN: That is a private enterprise, but they handle frozen beef.

Sir HENRY DRAYTON: I am accepting the figures, with the idea that we have an advantage over the Argentine people, but it is merely on paper. We haven't an advantage at all really, largely on account of the haul. Mr. Stork must recollect that the average rail haul in Canada is infinitely longer than the average rail haul in the Argentine—infinately longer. It is true that the Canadian railway rate per mile is a good deal lower than in the Argentine, but the distances they have to haul in the Argentine are so much less that the cost of getting the chilled meat from the packers to the Argentine ports is far less than to a Canadian port. If we are to do anything, we will have to put the farmers in the position of getting the full benefit of that rail haul.

The CHAIRMAN: Do you know the prices in comparison with those of the Argentine?

Sir HENRY DRAYTON: I have not the figures with me now, but I know we have sold in competition with the Argentine.

Sir HENRY THORNTON: I want to see something concrete emerge from all of this, if I can.

Sir HENRY DRAYTON: Let us keep to one thing in the meantime. Let us see if we can get a concerted movement and a price quoted in a short time, an absolute minimum price.

Sir HENRY THORNTON: I think there are two propositions to be considered; first a co-operative movement and an evangelical effort, and after that some efforts to create a new spirit in regard to the production and consumption of chilled meat.

Sir HENRY DRAYTON: It is all going to start with a great big cut in the carriage of chilled meat.

Sir HENRY THORNTON: That goes hand in hand. The second is, to pull the rates down until the rates excite a movement in beef. Is that what you want us to do?

Sir HENRY DRAYTON: Before the Government could take it up, they would have to have a proposition. Their proposition would be something like

this; "Look here, if we can do this business and get these movements, these prices will be cut down to a given figure, a very low figure." What is that figure? That is the essential thing to know.

Sir HENRY THORNTON: Is that the wish of the Committee; is that what you want to do?

The CHAIRMAN: Unfortunately we have not got a quorum here, so that the Committee might endorse what we are doing now.

Sir HENRY THORNTON: Nobody has ever spurned a lower rate on anything, according to my observation.

The CHAIRMAN: But if you are giving too low a rate, you will come back next year with a larger deficit.

Sir HENRY DRAYTON: It is not that entirely, it is the maximum loading; the two things have to go together.

Sir HENRY THORNTON: You have to give credit for a reasonable amount of common sense on the part of those who are trying to handle this business.

The CHAIRMAN: I think where your trouble will come in is, to get the requisite loadings. I am not trying to throw cold water on the scheme in any shape or form.

Mr. STORK: You do not expect anything very great for two or three years at least, when you are building a branch line.

The CHAIRMAN: And they also use branch lines.

Sir HENRY DRAYTON: Unless you have a guaranteed movement, a steady regular movement, you are never going to popularize your output.

Sir HENRY THORNTON: That is perfectly sound, and I will be only too glad to be given something to go on with.

The CHAIRMAN: Do you want to discuss that particular matter any further, or do you want to make a start on the operating account?

Sir HENRY DRAYTON: Let us go on with the operating account, and the officials will get us this information in the meantime.

The CHAIRMAN: On page 10 we have Revenue from Vessels so much, and Total Revenue \$8,811,038.35, but no comparative statement.

Sir HENRY DRAYTON: Instead of taking up the time of the Committee going over this item by item, let us do as we did last year, that is, get information which shows which routes are paying and which are not paying.

The CHAIRMAN: Last year we got all that information pretty completely, and it showed that the rather embarrassing result of it was that where routes were shown to be profitable there immediately sprang up strong competition.

Sir HENRY DRAYTON: All right, let us have a sitting in camera.

Sir HENRY THORNTON: I was going to suggest to the Chairman that we have a list prepared and hand a copy to each member of the Committee.

Sir HENRY DRAYTON: Let us have a sitting in camera, and see where we can save money and where we can stop losing money.

The CHAIRMAN: We can get these statements and consider them.

Sir HENRY DRAYTON: Let us meet in camera and see what we can do.

The CHAIRMAN: In the meantime, can we make any further progress to-day?

Mr. STORK: I don't think we can.

The CHAIRMAN: All right; shall we meet to-morrow?

Carried.

The Committee adjourned.

COMMITTEE ROOM 429,

HOUSE OF COMMONS,

THURSDAY, May 14th, 1925.

The Select Standing Committee on National Railways and Shipping met at 10.00 o'clock a.m., the Chairman, Mr. W. D. Euler, presiding.

The CHAIRMAN: We now have a quorum, gentlemen. Yesterday, one of the members, I think, Sir Henry Drayton, asked for a statement with regard to the budget and what the items were in connection with the reduction. That is now here, and it can be placed on the records.

CANADIAN NATIONAL RAILWAYS—BUDGET

Item	Original 1924-1925 Budget	1st Revised 1924-1925 Budget	2nd Revised 1924-1925 Budget	1925-1926 Budget
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Rental for Lease of Subsidiary Lines.	1,979,228 64	1,979,228 64	1,379,228 34	1,379,227 60
Interest on Funded and other Debt..	34,546,455 00	35,742,392 50	35,742,392 00	36,773,698 62
G.T.P. Guaranteed Interest.....	1,662,120 00	1,662,120 00	1,662,120 00	1,108,080 00
Sinking Fund payments.....	151,133 33	151,133 33	151,133 33	151,133 33
Equipment Principal payments.....	6,856,400 00	6,856,400 00	6,856,400 00	7,467,400 00
Dividend on G.T.R. 4% Guaranteed Stock.....	2,433,333 33	2,433 333 33	2,433,333 33	2,433,333 33
Retirement of Central Vermont Rail- way, Capital Obligations.....				775,000 00
Discount on \$17,000,000 Bond Issue..				637,500 00
Total Financial Requirements...	47,628,670 30	48,824,607 80	48,224,607 00	50,725,372 88
Less Resources.....	28,174,302 64	20,835,202 97	26,495,937 10	21,265,997 88
Net Financial Requirements.....	19,454,367 66	27,989,404 83	21,728,669 90	29,459,375 00
New Equipment "Under Trust".....	4,609,375 00	4,060,050 00	4,060,050 00	.....
General Additions and Betterments	26,485,257 34	23,187,000 00	21,975,603 37	17,150,000 00
Paris Property.....	3,000,000 00	2,851,445 17	2,723,576 73	.....
Ontario Electric Lines.....	1,500,000 00	1,200,000 00	1,200,000 00	750,000 00
Montreal Terminal Railway.....	1,278,000 00	1,278,000 00	1,278,000 00	.....
Quebec Terminal.....	200,000 00	.....	.....	.....
New Equipment.....	.....	1,551,100 00	1,651,100 00	1,040,625 00
Discount on Proposed Bond Issue....	.....	1,910,000 00	1,910,000 00	1,600,000 00
Total.....	56,527,000 00	64,027,000 00	56,527,000 00	50,000,000 00

Main Estimates, Vote 137.....\$56,000,000 00
Supplementary Estimates, Vote 490.....527,000 00

NOTE.—Retirement of obligations made out of proceeds of \$50,000,000 Bond Issue dated February 1st, 1924, and \$17,000,000 Refunding Bond Issue of February 15th, 1925, are not included as such issues do not relate to the 1924-1925 Budget Appropriation.

Sir HENRY DRAYTON: This carries out the idea. The idea was to show all the different things, so the House can see at once what the situation is. I think that will save pages of work. How much in that is for maintenance; for next year, the estimates for maintenance for roadbed and the maintenance for equipment.

Sir HENRY THORNTON: There would not be any maintenance. That would be part of the general expense, if I understand your question right.

Sir HENRY DRAYTON: How much of that is made up in your supporting figures?

Mr. HENRY: You mean betterments?

Sir HENRY DRAYTON: How much for maintenance, maintenance of right of way, maintenance of equipment.

Sir HENRY THORNTON: There would not be any maintenance in capital charge.

Sir HENRY DRAYTON: In connection with that page, looking to your total commitments, those total commitments, in the sum of what it is, a part of the commitments is capital on one side and maintenance on the other?

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: The question is how much is the percentage of maintenance in that whole total?

Mr. HENRY: The operating expenses assumed in making up this budget were based upon the actual operating expenses for the year ending March 31st last.

Sir HENRY DRAYTON: The maintenance is just the same?

Mr. HENRY: The maintenance is just the same.

Sir HENRY DRAYTON: Is that satisfactory?

Sir HENRY THORNTON: Except that we may turn up at the end of the year with somewhat more or somewhat less maintenance.

The CHAIRMAN: Mr. Ruel is here this morning in connection with the construction of a hotel at Regina.

Mr. STEWART (Humboldt): May I ask a question that refers to a matter which we thought we disposed of some time ago, that is the question of the fuel supply.

The CHAIRMAN: Would it be just as well if we got this out of the way and come back to that?

Mr. STEWART (Humboldt): I thought we were through with railways.

The CHAIRMAN: I thought this was the last matter in connection with railways, the matter of the hotel at Regina.

Sir HENRY THORNTON: I think Sir Henry Drayton wanted to talk about the legal aspect of it.

Mr. MACKINNON: What is your ruel-ing?

The CHAIRMAN: It is too early for me to catch a joke like that.

Sir HENRY THORNTON: I do not think it would take very long to dispose of this question of Mr. Ruel's.

The CHAIRMAN: It does not make much difference what order we take it in.

Mr. HARRIS: There was a deposition given to the Committee to the effect that work has gone along in regard to the Regina hotel. This is a document or a legal opinion which was presented to Sir Henry Thornton and his Board of Directors. I would like to ask Mr. Ruel if that opinion was a written opinion given at that time and what opinion was given with regard to going on with that part of the work?

The CHAIRMAN: Did you get the question, Mr. Ruel?

Mr. RUEL: No.

Mr. HARRIS: There was a deposition with regard to the hotel at Regina and it was questionable in the minds of the officials of the Canadian National lines as to whether or not they should proceed with the construction of that particular hotel.

Mr. RUEL: They looked at it on the basis of whether it was worth while.

Mr. HARRIS: Your Department gave an opinion to the Board of Directors as to whether you would really go on.

Mr. RUEL: They asked me and I looked into it very carefully and I decided it was a good contract and I so advised Sir Henry. A question arose as to whether or not the contract was a good contract.

Sir HENRY THORNTON: An enforceable contract?

Mr. RUEL: Yes. Sir Henry was going to Regina at that time and he asked me whether it was a good contract and I talked it over with Mr. Chisholm and we decided it was perfectly enforceable. There is this particular feature, that even though there was a receivership, even though the receiver decided he would not assume the contract personally, the Company is, nevertheless liable for breaking the contract with the branch lines. There is an equity over and above the branch lines.

Mr. HARRIS: You pointed that out to the Directors at the time?

Mr. RUEL: Yes. Furthermore in dealing with municipalities, in dealing with anybody in connection with the railway, we try to treat everybody fairly. We recognize that Regina had given up a whole lot of things and was trying to meet the Grand Trunk Pacific in the old days in a fair way, and it was our duty to meet Regina too in a fair way. That is outside the legal opinion.

Mr. HARRIS: There was no written opinion given at that time?

Mr. RUEL: No. Sir Henry just asked me. I might have said it was a perfectly good and valid contract.

Mr. HARRIS: Sir Henry said he thought there was a legal opinion?

Mr. RUEL: I would write him six opinions and so stick to it.

Sir HENRY THORNTON: The question came up originally about two years ago. My recollection is that there had been a written legal opinion given upon it, but on thinking it over I was not so sure. Mr. Ruel and I had talked it over, and he gave me a verbal opinion, which was discussed at subsequent dates, and he repeated it to me.

Mr. RUEL: That is right.

By the Chairman:

Q. Did you ever after that change your theory or opinion in regard to that, Mr. Ruel?—A. No.

Q. It was the same then as it is now?—A. Absolutely.

Sir HENRY DRAYTON: I have had a talk with Mr. Ruel on the point I raised before, as to the enforceability of the contract.

By Sir Henry Drayton:

Q. Will you please follow me, Mr. Ruel, and see if I am making a correct statement. I was saying that we had an opportunity of discussing this thing with you just now, and that on the question of the enforceability of the contract, apart from the legal point I raised, you told me that consideration had been given to that question?—A. Yes.

Q. And that while recognizing the view that the courts would not order what they could not oversee, your view was that in connection with an hotel, the matter was not so complicated that they could not reasonably oversee it, and that therefore the old rule as to the enforceability of the contract, under the Kingston and Cataragui case, would not apply at all?—A. I might say that the Kingston and Cataragui case was a case in which they tried to get specific performance to operate a railway, and the Courts said they could not give that because they would have to have a staff to see that the bally thing was carried on, which was impossible.

Q. That is only the principle which is followed?—A. That is the principle which is followed.

Sir HENRY DRAYTON: The next thing I asked Mr. Ruel was as to whether we would be liable through the Receiver, and he tells me that there has been a judgment of the Exchequer Court holding that there is a distinction between a Government receiver and a private receiver. Mr. Ruel agrees with me that that is common sense, but in the meantime there it stands, and therefore it would give a justification for interfering.

Mr. RUEL: That is the whole story.

The CHAIRMAN: Are you satisfied, Mr. Harris?

Mr. HARRIS: Yes.

The CHAIRMAN: Are we ready to vote on the motion?

Mr. STEWART (Humboldt): Just one moment, Mr. Chairman.

The CHAIRMAN: I am sorry, Mr. Stewart, I had overlooked the fact that you wanted to say something.

Mr. STEWART (Humboldt): I have been informed, Mr. Chairman, that the Canadian National Railways are stocking large supplies of coal from the Alberta mines, from which they purchased. I would like to ask how the Canadian National Railways stand in that regard. I mean just recently, through the summer months.

Sir HENRY THORNTON: No, Mr. Stewart, we are not buying coal for our stock piles to-day, in fact we are trying to reduce our stock piles.

Mr. STEWART (Humboldt): I was under that impression when that statement was made before, but in view of the information which came to me, I wanted to get it definitely. Does that apply generally, or to Alberta particularly?

Sir HENRY THORNTON: What happened was that early in 1924 there seemed to be a strong probability of a strike in the mining industry, particularly in the United States, and, to protect ourselves against that situation, early in that year and in the latter part of 1923 we ran up pretty heavy stocks of coal. The strike did not materialize, and during the latter part of last year and up until to-day we have been addressing our efforts to reducing our coal supplies, our stock on hand, rather than to increase it, although, as I pointed out yesterday, on account of our coal situation we always have to carry a fair stock of coal. But we are not stocking up our reserves of coal to-day. Does that answer the question, Mr. Stewart?

Mr. STEWART (Humboldt): That is the answer I wanted to get.

The CHAIRMAN: Are you through, Mr. Stewart?

Mr. STEWART (Humboldt): Yes, Mr. Chairman.

The CHAIRMAN: I think the only thing connected with the railways now is the budget.

Sir HENRY DRAYTON: There is one thing we should get a clear understanding upon, Mr. Chairman, that is, the Government, apart from the vote, give endorsements of bonds; for example, last year out of the \$50,000,000, I do not think it was supported by a vote, but it was done under statutory powers.

Mr. HENRY: The \$50,000,000 was covered by the vote.

Sir HENRY DRAYTON: What was the other?

Mr. HENRY: \$17,000,000.

The CHAIRMAN: Under what powers was that done? Mr. Ruel can tell us that.

Mr. RUEL: We do not raise money under statutory power now, except it is given in a Special Act.

By Sir Henry Drayton:

Q. It would be done under a Special Act, Mr. Ruel?—A. Yes, it would be done under a Special Act; we do not raise money in any other way at all.

Q. And the Special Acts would show for themselves?—A. They would show for themselves.

Q. How can you refund, under Special Acts?—A. Refunding is done under the 1918 Act of the Canadian Northern.

Q. Under the Parliament of 1918?—A. The Parliament of 1918, and it only covers the refunding existing at that time; we cannot refund anything unless it did exist in 1918.

Q. So that the Government would have the right, apart from the vote, to provide for refunding issues which existed prior to 1918?—A. That is all.

Q. And also any obligations issued, any of the more recent obligations?—A. So long as we do not increase the amount.

Q. Is there a statutory limitation?—A. No; what existed in those days.

Mr. HENRY: That \$50,000,000 applies to previous years, Sir Henry (Drayton).

Sir HENRY DRAYTON: That \$50,000,000 was the one of 1923, was it?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: That is all I want.

The CHAIRMAN: A motion was made yesterday by Mr. Mackinnon—I do not suppose you want me to read it again—to the effect that we advise the passing of the estimate of \$50,000,000. All those in favour of the motion will please signify. Anybody contrary? I declare the motion carried.

Is there any further discussion on the Canadian Government Merchant Marine report?

Sir HENRY DRAYTON: We were to have a private seance upon that, Mr. Chairman.

The CHAIRMAN: If that goes on, we will have to ask the reporters and others to withdraw, so that we will not have to come back again. Is there anything that we have to take up before we consider the private information which was spoken of?

Mr. MACKINNON: Yesterday we had before us the question of chilled beef, and it was given most of the day.

The CHAIRMAN: That is so.

Mr. MACKINNON: The President of the Canadian National Railways seemed to be agreeable to co-operating with others in helping to make that enterprise a success. I would like to bring one thing to his notice, in order that we may be on an equal footing in the different parts of Canada, that is, whether he would give consideration to an investment in chilled fish. Fish is a good product, and is put out in large quantities along the Atlantic coast and along the shores of the Maritime Provinces, and if the proposed system should be adopted, I think the same reasoning should apply to chilled fish as to chilled meat. If the railways are agreeing to go into the chilled meat enterprise, this should be considered as well, and we should try to secure rates for the shipment of chilled fish by rail across Canada to the interior cities, where perhaps they do not know what real fish is. In order to do that, we should have the co-operation of the Canadian National Railways.

There is one spot I wanted to mention, and that is, Rustico, Prince Edward Island. I brought it to the attention of the Railway Minister before, and it has been before him since 1910. It has a little spur of about 8 miles leading to one of the best shipping stations in the Gulf. It is a place which was settled by French Canadians about 200 years ago, but they have been leaving continuously,

and they are going away now. If fishing could be assisted in some way, I suggest that it would be a great help in keeping the native population going on comfortably there.

The point I wish to make is that chilled beef, while it is worthy of consideration, yet if the Railway management is going into enterprises of that nature, chilled fish should be treated equally or in the same manner by the Canadian National Railways. That is my suggestion.

Sir HENRY DRAYTON: What point is it you say the people are leaving?

Mr. MACKINNON: Rustico. It is in Prince Edward Island. The people do not make enough out of fish. The United States have put up a tariff against us, and we cannot send fish over there. We want a short spur of railway in order to put the fish when caught fresh, in a car which will carry chilled fish. The people cannot carry their fish eight miles.

Sir HENRY THORNTON: We are pursuing that question now, Mr. Mackinnon, with a couple of gentlemen who want to do the very thing you are speaking about. We are negotiating with them in order to see what can be done, for the purpose of transporting fish to England. It does seem rather peculiar to haul fish across the Atlantic to England, where there is an abundance of all sorts of fish.

The CHAIRMAN: It will be a case of carrying coals to Newcastle.

Sir HENRY THORNTON: I question whether it will work out. At the same time it is well worth trying, and we are in negotiations with these people now, to see if something cannot be done.

Mr. HARRIS: Is it not a fact that the packing of that fish, the cost of it, would be very heavy; is it not a fact that they have to pack each individual fish separately, and not let one touch the other?

Sir HENRY THORNTON: I do not know, myself. I suppose as long as they are kept in the same family there will be no disagreement. It is a pretty delicate business, you know.

Mr. RUEL: If I might say a word with regard to the Lockport spur—answering Mr. Mackinnon's question. We arranged for the Lockport spur of four miles last year. That runs down to Lockport. The reason for that was that there is a great fishing industry around there and the fish were brought into Lockport and then had to be shipped by water to our railway, the Halifax and Western. We built the Lockport spur to avoid that water haul and so that the fish could be chilled and go as chilled fish from one part of the country to the other. The work of preparing the fish for shipment is a private enterprise owned by a man named Hodge and is a very large business. He thinks, because of the building of that spur, they will be able to double our business to that port. That will be advantageous to us from the point of view of traffic. It is a curious fact that the chilled fish coming from Lockport are shipped clean across the continent from Lockport to Vancouver, and sold in Vancouver, notwithstanding the freight rates.

Sir HENRY THORNTON: We are entirely in accord with your suggestion, Mr. Mackinnon, and if we can work anything out of it we shall certainly be very happy, and you can count on the activities of the railway company to do anything that will promote traffic.

Mr. JELLIFF: Did I understand that you built the Lockport spur last year?

Mr. RUEL: No, it was authorized last year; it is being built now.

Sir HENRY THORNTON: I daresay you know, Mr. Mackinnon, that the Swift Packing Company are building a packing house at Moncton and they intend, if the business proves satisfactory, to add very largely to that packing house, eventually making it quite a large establishment, the idea being to use

the raw materials, cattle, hogs, and so on, raised in the Maritime Provinces, and I think that will probably furnish a considerable stimulus to the raising of cattle and hogs in the Maritimes.

Mr. MACKINNON: Two years ago I visited Swifts in Toronto, and I found the manager was from New Brunswick. I put the proposition before him to get one established down there and he promised me to go down that summer. I do not know whether anything developed from that or not.

Sir HENRY THORNTON: Then we are probably indebted to you for this industry in the Maritimes.

Mr. MACKINNON: Being from New Brunswick, the manager had a personal interest in it, and said he would go down that summer and look over the ground and try to establish it.

Sir HENRY THORNTON: Then you will be interested in knowing that your work has borne fruit.

Mr. MACKINNON: Thank you.

The CHAIRMAN: Any further discussion on that point? Anything more on the report itself? Are you ready to go on with the examination of some of the statements in camera, spoken of yesterday?

Mr. STEWART (Humboldt): Mr. Chairman, would this be the proper time to ask Sir Henry Thornton a question as to the labour conditions on the Canadian Government Merchant Marine vessels?

The CHAIRMAN: I should say so.

Sir HENRY THORNTON: Yes, please do, Mr. Stewart.

Mr. STEWART (Humboldt): I have in my hand a labour paper here which has rather a scathing denunciation of the conditions, and I would like a statement from Sir Henry Thornton in reply to it. The general charge is that the management are trying to reduce the deficit by reducing the wages of the seaman, and it goes on to say that last year over \$400,000 was cut from the deficit, the major part through the elimination of overtime aboard the vessels, cutting down crews to where it was hazardous, and by cheapening the quality of the food of the crews.

Sir HENRY THORNTON: Do you know anything about that, Mr. Teakle?

Mr. TEAKLE: Is the statement from Vancouver?

Mr. STEWART (Humboldt): Yes.

Mr. TEAKLE: As far as the food is concerned, it is the same as, or better than, on the Atlantic ships. Certainly as good as, if not a little better than, on the Atlantic.

Mr. RINFRET: But why should the Atlantic sailors be less well fed than those on the Pacific?

Mr. TEAKLE: Perhaps I should say a little better in cost. On this side we have the whole of the Maritime Provinces and Quebec to draw from, you know. As far as wages are concerned, our wages are somewhat higher on the Pacific than they are on the Atlantic. I would be very glad to take that report and read it, but I have had a number of those reports come through and each one that I have gone into I could find no verification. As far as the crews are concerned, we are not reducing our crews. We have the same number of men on our Pacific ships that we have on our Atlantic, and we have the same number of men as called for by the regulations. If we did not have the number of men called for by the regulations, we could not get our clearances and we would not be allowed to sail.

Mr. STEWART (Humboldt): Have you reduced the number materially this year?

Mr. TEAKLE: No, as a matter of fact I do not think we have made a reduction in two years.

Sir HENRY THORNTON: But I do not know any reason why we should not reduce our crews, if we can do so advantageously and without interference with the traffic or regulations.

Mr. STEWART (Humboldt): But not to the point charged here, to where it would be hazardous?

Sir HENRY THORNTON: No. Of course obviously you must protect the safety of your traffic; but I should say we are quite justified in pursuing any legitimate course that will effect an economy and not affect the safety of the ships, or the travelling public.

The CHAIRMAN: Is there anything specific charged there, Mr. Stewart?

Mr. STEWART (Humboldt): No Mr. Chairman, it is a general charge and only calls for a general reply.

Sir HENRY THORNTON: We have had no complaints from our men. If any of our men have anything to complain about, they can take it up in the right way and we will adjust it.

The CHAIRMAN: Where does that statement come from?

Mr. STEWART (Humboldt): It is dated Vancouver, British Columbia, and the writer is "Sidney Warren" in "Canadian Labour Conditions."

Sir HENRY THORNTON: The seamen have their own organizations, which are provided, amongst other things to look after their grievances. And not only does that statement apply to the seamen, but to every branch of labour that we employ; and the Labour organizations are never at all slow about taking up anything which they think disadvantageously affects their membership. We have pretty constantly pursued the policy of dealing only with the accredited representatives of the Labour organizations.

Mr. STEWART (Humboldt): Are Labour conditions such at any point, among the seaman, that the Merchant Marine could cut the wages and still obtain the men?

Sir HENRY THORNTON: That I cannot answer. I should think probably not. Usually the wages in any character of labour are determined by negotiation between the employer and the employees as a whole.

Mr. TEAKLE: There is practically a standard of wages. Particularly so on the Pacific coast.

Mr. STEWART (Humboldt): And you would say that the wages paid to the seamen on the Canadian Government Merchant Marine compare favourably with those of seamen in the employ of other steamship lines?

Mr. TEAKLE: In comparison with our direct competitors, the British Lines, we are paying better. I might qualify that by saying, we have always to remember that our nearest neighbour is the United States, where they have a different schedule which again is higher than ours, and that, particularly on the British Columbia coast, has somewhat of a bearing.

Sir HENRY DRAYTON: The position is that the Scandinavians are altogether the lowest.

Mr. TEAKLE: Strangely enough, to-day the foreign crews' wages are up altogether more than they used to be, but generally speaking you are quite correct.

Sir HENRY DRAYTON: Then come the English and then we come.

Sir HENRY THORNTON: If there is anything in that charge, as I have said, if at any time any of our men in the employ of the Merchant Marine are not satisfied, they have a proper way of bringing their complaint up and it will always receive attention.

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